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ABSTRACT

This study provides an indepth description of financial management and budgetary procedures for education as well as a detailed analysis of major problems, recent developments, and new issues in Cambodia, Laos, and Vietnam. Laos, formerly one of the centrally planned economies, was previously considered "dormant" because of its limited interaction with the outside world. The chronic underfunding of the Lao educational system has been responsible for high dropout and repetition rates, and low enrollments at postprimary levels. The large disparities in the allocation of resources among provinces, and among different levels of education in terms of unit costs, remain a serious problem. The recent transition to a market economy and, since 1997, the devastating impact of the Asian financial crisis have encouraged the Lao government to practice budget cuts, to improve financial discipline and transparency, and to review its policies and practices in educational finance and budgeting. The increasing role of foreign donors, more rational budgetary procedures within a medium-term perspective and mechanisms of cost-sharing and financial diversification are some of the major challenges addressed in this book. An appendix contains background information on the Lao PDR, statistical tables, and charts. (RT)

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Financial management of education systems

Educational financing and budgeting in Lao PDR

L. Bouapao, O. Sengchandavong and S. Sihavong

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AP	Authorization to Pay
BD	Budget Department
BEGP	Basic Education Girls Project
DC	Direct Contracting
DEB	District Education Bureau
DGE	Department of General Education
DOF	Department of Finance
DPB	Domestic Public Bidding
DPC	Department of Planning and Co-operation
DPIP	Department of Public Investment Programme
EDP	Education Development Project
EQIP	Education Quality Improvement Project
ESDP	Education Sector Development Plan
FCD	Foreign Currency Department
GDP	Gross Domestic Product
GNP	Gross National Product
ICB	International Competitive Bidding
IDA	International Development Association (The World Bank)
IPB	International Public Bidding
IS	International Shopping
L/C	Letter of Credit
LLB	Local Limited Bidding
MOE	Ministry of Education
MOF	Ministry of Finance
NA	National Assembly
NTEAB	National Teacher Education Advisory Board
NTUC	Network Teachers' Upgrading Centres
NUOL	National University of Lao

PA	Pedagogical Adviser
PC	Price Comparison
PCC	Party Central Committee
PCU	Project Co-ordination Unit
PERP	Post-secondary Education Rationalization Project
PES	Provincial Education Service
PFS	Provincial Finance Service
PIP	Public Investment Programme
PPS	Provincial Planning Service
PSS	Pedagogical Support System
QOP	Quotation of Price
SAA	State Audit Authority
SDC	Swiss Development Co-operation
SPC	State Planning Committee
TA	Technical Assistance
TDC	Teacher Development Centre
TT	Telegraphic Transfer
TTC	Teacher Training College
TTD	Teacher Training Department
TUP	Teacher Upgrading Programme
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children's Fund
W/A	Withdrawal Application
WB	World Bank

SUMMARY

This report was prepared within an IIEP project on analysis of budgetary procedures for education in three low-income developing countries of South-East Asia (Lao PDR, Cambodia and Viet Nam).

The project was funded with support from the *Conferenza Episcopale Italiana*, Rome, for which all participants express their cordial thanks. At the IIEP, Paris, the project was co-ordinated by Serge Peano and Igor Kitacv, Programme Specialists.

The three neighbouring countries in South-East Asia share many similar concerns in the area of educational finance and budgeting as they proceed from the centrally planned type of economy to a market-based economy:

- low shares of education expenditure in GDP (less than 3 per cent) and government budgets (less than 15 per cent). In practical terms it means a heavy burden for parents and community, involving contributions in labour, in kind and, lastly, in cash towards running the schools and motivating the teachers;
- a very low level of teacher salaries (US\$10-15 per month in Lao PDR and Cambodia; US\$30-40 per month in Viet Nam);
- the real allocation of funds for education is based on available funds and not on needs;
- the lack of own funding and overwhelming dependency on foreign donors for capital and development expenditure (school construction, textbooks, teacher training etc.). The related donor conditionality 'ties' the receipt of donor support to application of unpopular and counterproductive measures ('freeze' and cuts in employment and remuneration of civil servants, 'tied' purchase of foreign equipment without spare parts or maintenance, foreign

consultants imposed on the government, 'counterpart' funding requested from the recipient government etc.);

- the incremental nature of educational budgeting based on historical figures instead of evaluation of expected impact and outcomes;
- the inadequate transparency of budget nomenclature when the bulk of the budget is consumed by staff expenditure;
- no knowledge of *real* unit cost of education expenditure per student per level of instruction;
- the absence of monitoring instruments on actual budget implementation *during* the fiscal year, which causes large differences between the approved and actual budgets;
- sound teacher management and control over teacher remuneration are non-existent. Teachers are over concentrated in major urban areas, but are in desperate deficit or physically absent in rural and remote zones;
- huge disparities in actual funding between provinces and regions *within* each country.

At present the three countries are passing through a period of systemic changes in the education systems in terms of their management and funding. However, budgetary procedures for education have remained unchanged for many years and require major updating.

There is a need to review budgetary procedures for public education funding in light of the processes of decentralization, financial diversification and the role of international financial organizations and donors in educational development. The IIEP project was of interest to the participating countries because the changes introduced by the Asian Development Bank and the World Bank in educational management are already under way in Viet Nam and are being discussed in Cambodia and Lao PDR.

It is evident that there are a number of problem areas and weaknesses in existing budgetary procedures for education in the countries concerned. The major problem is that they do not stimulate prioritization of expenditure and its reallocation between the levels of instruction, different provinces and functional categories of spending. For the moment, all three countries still practise the incremental type of budgeting, with global ceilings, which simply reproduces the same patterns of expenditure from year to year (only Viet Nam has begun using special target funding programmes for radical improvements in selected areas). This system means that the budget is designed to cover mostly the wage bill of staff, while the rest is considered of secondary importance and is subject to cuts and delays in disbursement.

There are differences between approved and actually implemented budgets, the consolidated budget nomenclature is not sufficiently transparent, procedures for capital expenditure are cumbersome but not efficient, budget estimates based on population or enrolment do not take into account regional disparities, central ministries of education do not have modalities to monitor the budget implementation during the fiscal year, etc.

The role of provincial authorities in educational budget preparation and implementation radically increased with the decentralization processes in all three countries concerned. Provincial governors and their planning, financial and educational offices have overwhelming responsibilities for management and financing of primary and lower-secondary education. All three countries observed that this situation does not facilitate reallocation of funds between rich and poor provinces and leads to underfunding of the latter, because there is no fair research and formula-based method of educational funds distribution at the central level.

In addition, each country has its own specific features and constraints. Lao PDR belongs to the group of the least developed countries and faces tremendous constraints in financing of education. The country has set a target to leave the category of 'least developed countries' by 2020. Teacher salaries are not only low but they are decreasing in real terms, teacher absenteeism and 'ghost' teachers are familiar phenomena. In addition, the impact of the Asian financial crisis of 1997 was particularly painful for Lao PDR as it almost totally depends on the Thai economy. Both the currency depreciation of the Lao kip and the rate of inflation were above 100 per cent per year in 1997-1998. As a rule, the bulk of the public education budget is spent on the teacher wage bill; school recurrent and operational expenditures are financed by parents and communities, capital expenditure by donor-sponsored projects. The ADB-designed medium-term investment priority is focused on basic education in rural areas. As the Lao government budget is chronically in deficit (more than 10 per cent of GDP), the role of foreign donors should be increasing.

For Lao PDR, a landlocked country previously considered 'dormant' and known for inertia, the economic and education changes came later than for its neighbours, and more so compared to the Asian 'tigers'. The difficulties with cash flow in poor provinces cause serious delays in payment of teacher salaries. The huge disparities between the two self-sufficient provinces and all the others which have deficit and depend on subventions from the central budget, are difficult to repair because provincial governors have large powers at the stages of budget preparation and implementation. They deal directly with the Ministry of Finance rather than with sectoral ministries, and furthermore decide how to spend the available resources by sectors. The budget nomenclature

shows detailed categories of expenditure, but does not show expenditure per level of education or real unit cost per student.

If primary education has good coverage, the expansion of secondary-level is still problematic. The government has announced the policy of cost-sharing in education (tuition and user fees for basic education, student loans for higher education) but delays its application because of the anticipated negative reaction of the low-income population. Various benefits, scholarships and other types of government social support are costly and inefficient but hard to discontinue. Small-scale schools inflate the costs but multigrade classes have not been utilized up to the present time.

The report provides a detailed description of challenges for educational finance and budgeting in Lao PDR. This objective analysis was a major endeavour for the Lao research team, but it should now pass the test of policy implementation. We hope that this publication will be appreciated by future readers as any recent information on education in Lao PDR is still rare.



INTRODUCTION

The objectives of the socio-economic plan for the five-year period 1996-2000 are to continue to build sectional and regional economic structures, along with socio-economic development and in conjunction with the preservation of the natural environment; regional socio-economic development must be linked to the development of ethnic mountainous areas and the gradual reduction of the gap between urban, rural and mountainous areas. The national economic growth target was estimated at an average economic growth rate of 8-8.5 per cent per year, of which:

- average annual rate of *agriculture* product growth, approximately 5 per cent;
- average annual rate of *industry* product growth, approximately 12 per cent;
- average annual rate of *service* product growth, approximately 10-11 per cent;
- average inflation rate, no more than 10 per cent.;
- increase in budget revenues to 16-16.5 per cent of GDP;
- reduction of the budget deficit to no more than 10 per cent of GDP; and
- annual increase of exports and imports by 12 per cent and 10.5 per cent, respectively, and maintenance of the external trade deficit to no more than 12 per cent of GDP.

The economic sector must be further structured along the lines of liberalized commodity production, promoting agro-forestry production as a basis, from the beginning in close conjunction with industry and services. Within the industry sector, the hydropower industry is considered the spearhead for future generation of sources of revenue and accumulation. At the same time, industrial zones must

be established in each area, including commodity industrial zones. Services must be firmly promoted, namely in the sectors of trade, tourism, communication-transport, and telecommunication. The economic structure by the year 2000 should be as follows: *agro-forestry* 48 per cent (presently 53.3 per cent); *industry-handicrafts* 22 per cent (presently 19.4 per cent); and *services* 30 per cent (presently 27.3 per cent) of GDP.

As stated in the Human Resource Development Committee's Resolution, 1996: "Education is the core of human resources development, of which the primary task is to upgrade the people's knowledge, giving education and training to the children of the multi-ethnic people and building a bulk of intellectuals. To achieve this aim, we must increase investment to realize the education strategy up to year 2000 through focusing on the quality of education at all levels. The national education system must be reformed and gradually modernized to meet the needs and condition of the country's socio-economic development. The regime of compulsory primary education must be truly enforced. Education in rural, mountainous and ethnic areas must be expanded, giving importance to building ethnic boarding schools in prioritized areas under state investment. We must eradicate illiteracy and conduct culture-promotion courses among people. We must promote education for women and the underprivileged. Various economic sectors must be encouraged to contribute to the development of national education. Monks' education must be perfected to cope with new conditions. We must increase and strengthen the management and control of education so that it is of good quality. Teachers must receive appropriate care, including in terms of academic status".

The objectives for education to the year 2000 focus on quality upgrading of education at all levels, to progressively approach international standards, and the reduction of education gaps among

urban areas and between urban and rural areas. It is also hoped to realize compulsory universal primary education, develop public and private schools to increase enrolment, establish boarding schools in priority areas, and promote education for girls and ethnic groups.

One of the main purposes of the education system is to supply the needs of the economy. While the economy is in the transition period from a centrally planned to a market-oriented economy, the priority sector is still agriculture, and it will be the largest source of employment growth for the foreseeable future. The people working in subsistence farming, and their children, should be an important target for education. The economic pay-off to literacy, which means, at a minimum, completing primary and lower-secondary education, is very large, no doubt larger than any other single education investment opportunity open to lawful society. Not only do literate farmers become productive, but literacy also brings them, and their families, access to modern medical care and more up-to-date child-raising methods. It gives them, in addition, a better opportunity to join the wider world if, and when, it becomes desirable to do so.

Another important requirement is to supply the needs of the newly emerging market economy. However, Lao PDR is still in transition and the types of development and resulting employment growth are far from being on target. For the moment, it seems best to cater to the general needs of a market economy, namely, training: to provide individuals with the cognitive skills, reading, writing, numeracy, and general knowledge of the world around them, to permit them to be easily taught; social skills: to instil ability and willingness to accept the discipline required in a market economy, in a sense a willingness to be trained and to use that training to mutually benefit the employer and employee; to provide information about who has these practical and social skills. The medium-term investment priority should focus on basic education in rural areas. The focus of

assistance should be on equity and efficiency. The main objectives of the government's education strategy are to improve the quality of education, and efficiency of educational planning and management. Improvements in basic education quality would be achieved with the assistance of the Asian Development Bank (ADB) and World Bank projects, which are supporting efforts to upgrade teaching and non-teaching staff. Under the projects, the physical facilities and materials of schools and colleges have been upgraded. However, while the government has begun to address the improvement of teacher quality over the long term, there are few opportunities for in-service upgrading of the present teaching corps, and administrative support is lacking to provide guidance to teachers and principals in schools.

To achieve the above-mentioned goals and targets, the government has to provide for and support financially educational institutions at all levels, from pre-primary to higher education. The Ministry of Education is responsible for the provision and management of formal and non-formal education in the country. During the past five years, the government has placed emphasis on social development, namely capacity building through short- and long-term political and technical courses, both within and outside the country. The education network has widely expanded, and private education is promoted, while vocational and technical education have both been developed, thus further diversifying the education system. *Table 1* shows the growth rates of students by level of education.

Table 1. Growth rates of students by level of education (1996-97 and 1997-98)

Education level	1996-97	1997-98	Growth rate %
Pre-primary	37,851	38,434	1.5
Primary	786,335	821,546	4.5
Lower secondary	133,891	150,195	12.2
Upper secondary	46,269	56,520	22.1
Vocational	1,410	1,713	21.5
Technical (*)	6,297	7,695	22.2
Higher education (*)	8,759	10,293	17.5

Note: (*) = Teacher training included.

For the academic year 1997-98, there were approximately 9,792 pre-primary and primary to secondary schools, serving 1,066,695 students; and 36 vocational, technical and higher education institutions, serving 19,701 students, with 42,065 teachers and 4,328 non-teaching staff. Comparison between 1996/97 and 1997/98, shows that enrolment in pre-schools has increased by 1.5 per cent, primary schools by 4.5 per cent, lower-secondary schools by 12.2 per cent, upper-secondary schools by 22.1 per cent, vocational schools by 21.5 per cent, technical schools by 22.2 per cent, and higher education-university by 17.5 per cent.

Effects of the Asian crisis on foreign assistance

For several years, the Lao PDR budget deficit was more than covered by donor financing. However, since mid-1997, it has experienced the highest exchange-rate depreciation and the highest rate of inflation, affected by the Asian crisis. Domestic inflation increased by 103 per cent between July 1997 and July 1998 and reached 136 per cent in December 1997. By late 1998, the economic situation had become extremely serious:

- consumer prices rose by over 100 per cent;
- the kip fell by approximately 100 per cent;
- the budget deficit was about 11.4 per cent of GDP;
- the Central bank foreign exchange reserves declined;
- the foreign trade deficit represented close to 55 per cent of GDP.

The depreciation of the kip, plus hyperinflation, together with the budget deficit, have created a problem for the government with regard to its provision of a counterpart fund for the projects assisted by foreign agencies. In fact, the government should provide counterpart funds at about 10-20 per cent of the total cost of the project. However, due to the crisis, the government has been unable to provide planned counterpart funds for several projects in the education sector financed by international organizations. Accordingly, certain projects have been delayed or postponed, due to the lack of a contribution by the government.

During the period 1997 to 1998 inflation and exchange rates fluctuated dramatically, namely at end-1997, when the inflation rate jumped by more than 100 per cent. Main causes included the weak management and structural adjustment of the state, insufficient domestic production to meet requirements, and the rapid increase of imports. Nevertheless, the government has outlined the required measures to restrict and normalize the situation. Economic growth declined to 4 per cent, in comparison with the estimated 6.1 per cent per year. During the first quarter of the fiscal year 1998-99 (from September/98 until March/99) the exchange rate increased by 16.9 per cent (September 1998: US\$1 = 3,916 kips and in March 1999: US\$1 = 4,580 kips). From the fiscal year 1997-98 to 1998-99, the inflation rate increased by 61 per cent (for 1999/2000: 87 per cent). For the first quarter of the fiscal year of 1998-99, the inflation rate increased on average 130 per cent in comparison with the same period of the previous fiscal year.

I. PROCEDURES OF BUDGET PREPARATION FOR EDUCATION IN LAO PDR

General framework of procedures

In Lao PDR, the fiscal year commences on 1 October and ends on 30 September of the following year. Based on the Prime Minister's guidelines and budget planning system, the President of the State Planning Committee (SPC) and the Minister of Finance have developed these guidelines and send them to the line Ministries and Provinces. They are in charge of conducting budget preparations at central and local levels. The guidelines indicate social and economic development plans and targets. According to government law, the SPC and MOF are responsible for submission of final budget plans to the Prime Minister's office, in accordance with the Prime Minister's policy guidelines. At the governmental meeting in the Prime Minister's office, the information and expectations submitted by the SPC and MOF are reviewed and the budget policy approved, with budget ceilings set for each Ministry and Province.

The State Planning Committee (SPC) has a secretariat role/function for the government in socio-economic plans over the short and long term. The major functions of the SPC are to:

- formulate the socio-economic plan for the short and long term;
- advise and monitor the elaboration of the plans by sectors and localities into tasks, and annual implementing schedule;
- monitor the supply and use of public funds in each sector, prioritize activities of the government, provinces and localities;
- co-ordinate with the Ministry of Finance on mobilizing the sources of capital for the implementation of the plans.

The Ministry of Finance (MOF) has a secretariat role and function for the government in finance matters with regard to budgeting and determining policy, as well as supervising and controlling the public sectors. The major functions of the MOF are to:

- formulate the measures for revenue collection and public expenditures;
- mobilize budget revenues, as planned, to the sectors and provincial authorities, in co-ordination with the SPC;
- arbitrate and finalize the distribution of national revenues among ministries and provinces;
- manage the national treasury; and
- control all public sectors including state enterprises.

According to Article 25 of Chapter II of Budget Law, under the Prime Minister's guidance, the Minister of Finance elaborates a preliminary draft state budget for presentation to the government meeting, for examination of budget orientations and scopes. At the beginning of May of each year, the Minister of Finance, in conjunction with ministers and heads of concerned agencies, elaborates a preliminary draft state budget plan that includes projected gross revenues, expenditures and available resources for the determination of budget balance, which is submitted to the government for consideration. The government examines the preliminary draft budget and lays down instructions, while determining the indicative amount of funds on the basis of main expenditure objectives by ministry, sectors or types of expenditures to allow ministries, equal-ranking agencies and agencies constituting budget units, to elaborate their own draft plans. Thereafter, the Minister of Finance will outline detailed technical instructions.

Ministries, equal-ranking agencies and other public agencies constituting budget units elaborate their annual budget revenue and

expenditure plans by starting from the grass-roots level upwards, according to the instructions and indicative figures provided by the government, and instructions of the MOF, which are sent to the Ministry of Finance. This draft state budget must be broken down by province and the municipality.

In July of each year, the MOF compiles all draft state budgets presented by ministries, equal-ranking agencies and public agencies constituting budget units. After examination and discussion with concerned ministries and agencies, with a view to ensuring the state's economic policy, the national targets of the socio-economic plans and the objectives of macro-economic balance, the Minister of Finance readjusts the received draft plans and presents them to the government for examination.

The draft state budget passed by the government is presented to the National Assembly (NA) within 30 days, at the latest, before the opening of its plenary session, for examination and adoption. At the presentation of the draft annual state budget plans to the NA, the government must report the results of the previous budget exercise and the previous year's economic and financial situation. In the draft annual state budget, revenues and expenditures are arranged according to the budget nomenclature, by ministry and equal-ranking agency, and distributed by provinces and municipality. After the annual state budget plan's adoption by the NA, the government shall promulgate the budget plans in the following 15 days.

According to Article 40 of Chapter IV of the Constitution, the National Assembly is responsible for reviewing and approving the socio-economic development plan and budget. Therefore, the drafted bills, submitted by the government, shall be considered in detail at the National Assembly (NA). The Commission of Planning and Finance, established by the NA, will review the drafted bills within

30 days before the commencement of the NA session. The analyses of budgets from the Department of Public Investment Programme (DPIP) of the SPC and the Budget Department (BD) of the MOF are prepared, to supply necessary data and information during consideration.

The Public Investment Programme (PIP) constitutes the government's plan of operational activities to achieve its socio-economic goals. These operational activities are represented by capital expenditure projects. The PIP cycle begins with the identification of projects at district-level agencies, and submission of these to line ministries and provincial administrations. These are then screened and prioritized in line with the national socio-economic development goals, and submitted to the DPIP, SPC. The DPIP then appraises and prioritizes these proposals in line with national goals and sector strategies, with due regard to budgetary constraints (allocation made to PIP projects). The final prioritization is done by cabinet, and submitted to the MOF to form the PIP component of the national budget. The culmination of the PIP cycle is the approval of the annual rolling five-year PIP by the National Assembly. This approval is given concurrently with the national budget. The national budget represents the government's revenue projections and expenditure plan for the fiscal year. The expenditure plan component of the national budget is comprised of (a) Salaries; (b) Operating and maintenance expenditure; (c) Investment and Construction expenditure, to be funded by the government. The budget cycle begins with a review of the previous year's public account, and establishing general planning figures for the next cycle. A percentage of GDP is then established for funding PIP projects in the next planning cycle. A review of the first half of the current fiscal year's revenue and expenditure is undertaken to firm-up on the revenue projections and expenditure plan for the next fiscal year. Indicative

credit ceilings are established and transmitted to the ministries and provinces with guidelines (Budget Circular) for preparation and submission of their detailed proposals. A detailed draft budget is then formulated and the MOF arbitrates with the line ministries and provinces to finalize the national budget. The national budget is then submitted to the National Assembly with the PIP.

The annual budget bill and supplementary documents consist of the following:

- drafted budget bill;
- financial reports;
- comparison of revenues and expenditures;
- revenues in estimates;
- detailed expenditures in estimates on investment and recurrent expenditure by lines, ministries and provinces through priority programmes.

After completion of consideration of the drafted budget bill, the first annual NA session opens in September to review and approve the final draft annual budget and plan in accordance with the Prime Minister's Decree.

Budget and plan preparation for education, with time-frame

The procedures of annual budgeting and planning preparation for education in Lao PDR consist of 15 stages, as follows:

1. In January, the State Planning Committee (SPC) and the Ministry of Finance (MOF) prepare guidelines for the preparation of plans and budgets for the coming fiscal year, which begins in October. The guidelines incorporate any new policy initiatives and reflect matters emerging from the July reports of the line ministries. Thus,

ministries conduct planning based on last year's allocation and an estimated small increase.

2. Guidelines are provided to line ministries, which send them with instructions and advice to provinces, ministerial departments, and institutions under Ministry control, including the National University of Lao. At this stage, guidelines may give specific targets to be met.
3. The Provincial Education Service (PES) meets with District Education Bureaux (DEBs) to discuss guidelines and initiate plan preparation.
4. DEBs submit annual plans to the PES composed of proposed projects and take for granted the recommended expenditure.
5. As a first reduction and refinement of request, the PES summarizes DEB proposals and seeks fair distribution. This process involves the Provincial Finance Service (PFS) and the Provincial Planning Service (PPS) with the Governor chairs.
6. PES submits the 'approved' province plan to the MOE. At the same time, the Provincial Planning Service submits the overall province plan, including education, to the SPC.
7. The MOE, Department of Planning and Co-operation (DPC) and Department of Finance (DOF) summarize PES and institutions' proposals, investment and recurrent budgets, and separate them into two components: province budgets and departmental budgets which have been through a similar top-down/bottom-up process.
8. The MOE submits sector plans to the SPC.

9. Line Ministry plans are summarized into: (a) investment expenditures, which are forwarded to SPC; (b) recurrent expenditures, which are forwarded to the MOF. A draft of the national budget is proposed.
10. The plan summaries and national budgets are discussed at government level, involving MOE (the Minister) and Province (the Governor) dialogue. Outcomes of meetings are forwarded to the SPC.
11. The SPC and the MOF prepare financial estimation for the draft annual plan. The SPC focuses on the investment plan composed mainly of projects. The MOF focuses on income expenditure and projected expenditure.
12. The President of the SPC and the Minister of the MOF present the plan and budget estimation to the National Assembly for discussion, debate and action.
13. The National Commission of the National Assembly organizes discussion groups involving representation from permanent standing committees and presents findings to the NA session for consideration. Ministry officers can be summoned for further information.
14. The approved plan and budget is signed into law and sent to the SPC and MOF, which in turn forwards it to the MOE.
15. The MOE formulates a decree that gives implementation direction to PES, Department and affiliated institutions (see Figure 1.2).

The ability to formulate quality plans and to match resources to those through the budget process is potentially one of the strongest management tools available to government. Effective planning allows

government to prioritize public investments and secure national co-ordination and rational resource utilization. Matching budgetary resources to plans helps to ensure that priorities are met, policies are enacted and goals are achieved. The strengths of decentralization are that it provides a phased approach, building on existing administrative systems, allowing time for capacity building in financial/technical operational planning and management at lower levels in the delivery system. There was a very substantial increase in the education budget from 1993-94 to 1994-95. The international capital increased three-fold; there was also a substantial increase in domestic funds, both in recurrent funds and in domestic capital.

Evaluation techniques for different budget lines

The Ministry of Education is responsible for primary, secondary, tertiary education and non-formal education. Based on its annual budget lines, a number of teachers, educational administrators and employees are assigned for the consumers of education. The MOE is the largest Ministry out of 14 ministries in Lao PDR. According to the Prime Minister's Decree, the MOE is organized into three levels - Ministerial level, Provincial Education Services (PES) and District Education Bureau (DEB). There are 11 departments in the MOE. Each department has its own responsibility, administrative arrangements and relationship to the provincial and district offices, as well as higher education institutions, in order to facilitate control of the schools and institutions. The DPC and DOF are responsible for planning and budgeting of all activities of educational sub-sectors. An operational framework for planning and budgeting is developed to provide articulation within the ministerial, provincial, district and institutional levels.

Evaluation for different budget proposals is a bottom-up process. All educational institutions, PES, DEB and institutions are encouraged to submit their budget proposals to the DOF and DPC with their needs. Approval of the budget is a top-down process. The Leading Committee of the MOE, chaired by the Minister, reviews and summarizes all budget proposals in accordance with the policies and priorities of the MOE and authorizes the DPC and DOF to negotiate with the SPC and MOF for submission of the MOE budget into the national budget.

Behaviour of actors involved

The organizations involved in the budget preparation are horizontally and vertically linked (see *Chart 4 B*). These organizations are classified into four levels.

- *Ministerial level*

The administration and co-ordination services for all educational organizations are available at ministerial level. According to the task and role, the DOF and DPC are responsible for initiating the procedures of budget preparation with time-frames, drafting ministerial budgetary policies and analyzing the budget proposals. The DPC and DOF act as coordinating and negotiating departments with the SPC and MOF, as well as with all other departments in the MOE and PES.

- *Provincial level*

The finance and planning divisions of the PES also act as coordinating units with the PPS and PFS at provincial level. Within PES management, the DEB is directed in preparing, reviewing, consolidating and approving for the budget proposals.

- *District level*

The finance and planning units of the DEB draft the budget proposals with the direction and support of the PES. Recently, by decentralization, DEBs have been authorized to co-ordinate with district finance and planning units and principals of cluster schools in preparing the proposal budget of the DEB.

- *Institutional level*

By law, budget preparation should be done by the implementation units.

Therefore, all educational institutions have to prepare and submit their own annual budgets to the PES or MOE. In fact, the capacity for involvement of institutions at different levels of education is varied. For example, the budget preparation for primary schools is often done by the finance unit of the DEB, contrary to higher education institutions, which prepare their own request budgets and submit to the MOE. The planning and finance offices of these institutions are responsible for analyzing the requests of their own institution.

Based on the data and information available, such as enrolment projections, number of teachers needed, number of new schools to be built, number of instructional materials needed, such as chalk, textbooks, teacher's guides, etc., the planning and finance offices or units at various institutional levels perform these technical studies. In general, request budgets are often higher than available budgets.

Negotiation with the SPC (DPIP) and MOF (BD) may take place at various stages of the budget preparation process at provincial, regional and ministerial levels. While negotiating between the MOE and SPC or the MOE and MOF at ministerial and departmental levels, the technical staff from the respective ministries and committee can meet and discuss each other's requests and report to the directors of

responsible departments of respective ministries and committee for final results. Then high-level negotiation can be held on time in terms of political meeting and technical discussion, for which the negotiation teams are led by the Minister or directors of concerned agencies. Usually, the technical staff of the SPC and MOF are well equipped with technical information to fix the budget ceiling for each ministry regarding investment and recurrent expenditures. Due to financial constraints, the position for the social sector under the MOE is relatively weak compared to the economic sector. In recent years, however, education in Lao PDR has been gaining more attention, both from the public and the government.

II. PROCEDURES FOR ALLOCATION OF BUDGETARY RESOURCES AND IMPLEMENTATION OF THE BUDGET

Implementation of the budget

According to budget law in Lao PDR, after the budget has been voted by the National Assembly session, the education budget, as well as other budgets of each ministry, is credited annually and divided into four instalments at three-month intervals. If there is need for some sectors to reallocate the funds allotted, they can do so within a period of six months in the fiscal year and within the same chapter. Such reallocations need to be communicated to the MOF. However, the reallocation of funds should not exceed the total allocated amount for such chapter.

The expenditure must be distributed according to the budget law, decree of public accounting and the rules and regulations on government procurement, respecting the following procedure:

■ The preparation plan for every quarter

To ensure that the income and the expenditure are balanced in every quarter, the DOF of the MOE, as well as all Provincial Finance Services, have to allocate the educational institutions' budget into a quarter or six months, according to their priorities, then approve the plan and forward it to the Budget Department, for the central level, or to the Provincial Finance Service, for the provincial level.

The Budget Department (MOF), Provincial Finance Services, unites all the proposed budget plans from the education sector, as well as all ministries and provinces, for which the income and the expenditure have to be balanced. In the case where the income is lower than the high demand of expenditure, some part of the

expenditure must be transferred to the next quarter. The allocation of the budget plan has to follow the budgetary nomenclature in order that the Treasury Department can monitor and control each withdrawal application. If the educational institutions do not follow the procedure as proposed, they must recommence with a new plan; therefore, the Budget Department and Provincial Finance Service will authorize the requested budget only when the expenditure plan is corrected.

■ The authorization of expenditure

With responsibility for managing the budget of every educational institution, as well as other ministries and services, the Budget Department, Provincial Finance Services handle authorizations using the following two methods:

(a) First method: the authorization is for every quarter or every six months; an allocation for a quarter or six months' expenditure is authorized, according to the proposed budget allocation plan. The authorization of expenditure for the quarter (three months) or six months will be made as follows:

- the six-monthly authorization is for salaries, indemnities and bonus;
- the quarterly authorization is for recurrent non-salaried expenses: office supplies, petrol, electricity and water, mail and telecommunications, transport, seminars, reception costs etc.

In practice, the MOE as well as line ministries, sectors and provinces must prepare the expenditure plan according to the approved budget allocation, so that the Treasury can follow and inspect every disbursement. Every month and every quarter, the Treasury reports the disbursement progress to the Budget

Department. At the same time, all ministries and sectors report to the Budget Department and submit the next quarter's plan.

- (b) Second method: the authorization will be made according to each contract or progress report of the work, based on the account forms, civil works, new purchases (vehicles, equipment etc.) health care, uniforms, voluntary leave, retirement leave and paid overtime.

■ Withdrawals for payment

On the basis of the allocated amount for each quarter, or every payment, the MOE as well as all the ministries, sectors and provinces have the right to withdraw money according to the rules and regulations of the public accounting authorities and the National Treasury. In regard to the payment of the electricity, water, telephone bills and for items such as telexes, petrol, ticket plan, etc., the Treasury will transfer payments directly to the company concerned, after reference to the budget allocation approval. For recurrent expenditure, the Minister at the MOE has delegated the Director of the Department of Finance, as the sub-warrant holder, to sign the frequent-payment document. Therefore, the sub-warrant holder has to ensure that, before each payment, there is an available fund from the approved budget plan for each item and for each quarter.

■ Budgetary control, reporting and auditing

The instrument of budgetary control is basically financial regulation and efficient planning and management of expenditures, which will lead to efficiency and economy in managing allocated resources. The process of expenditure control is indicated below:

- requesting and authorizing of expenditure plan, transfer of funds, budgetary reallocation for fiscal year;
- obtaining authorization and payment from the Treasury;
- procedure of procurement;
- internal audit of expenditure;
- expenditure reporting.
- However, there are some inherent limitations and difficulties that are still encountered.
- delay in obtaining authorization for payment by the MOE from the MOF;
- delay in obtaining authorization for payment by the PES from the Provincial Finance Services and transferring of funds from the MOF to provinces and within the province; there are so many detailed steps to go through;
- there is no regular and systematic planned internal auditing of expenditures;
- expenditure reporting is usually late and some cases are not clear;
- a high percentage of the PES and DEB employees lack competence in managing finance;
- the process of documentation consists of many stages between the central level and provinces and, in turn, between province and districts.

Concerning the financial audit, there are mainly two types: Pre-audit and Post-audit. Previously, the audit was not considered important in the government sector and was limited to the issuance of a report. However, if information has been received as to some malpractice in a certain area or transaction, then detailed audit procedures and checks will be made and appropriate action will be taken with regard to those involved, according to the report's recommendation. To ensure accountability, depending on the resources available, ad hoc internal audit inspections are carried out.

These reports are used to guide corrective steps to be taken in future. Post-audit was carried out in some cases, which was limited to inspection of documents. From 1975, the Ministry of Finance brought in certain rules and regulations governing the financial audit. The Department of Accounting, MOF, is empowered to carry out the audit of all projects funded by the Loans and Grants funds. It carries out detailed audit procedures and issues the audit report. Problems can arise with the report and audit as the procedure of disbursement between the internal and external fund is not carried out at the same time, nor the same method used.

According to the Decree of the establishing State Audit Authority (SAA), the SAA is responsible for implementing the external auditing function of the government. The main functions of the SAA include conducting an audit of transactions, accounts, systems, controls, operations and programmes of government institutions, in accordance with generally accepted auditing standards, and to audit capital investment projects and other social government programmes funded either by domestic sources or international borrowings or international grants.

■ Financial organization of the MOE

At the Ministry level, to ensure the implementation of the education budget, there are four divisions in the Department of Finance (DOF) of the MOE: Budget Division, Accounting Division, Controlling Division and Cashier Division. Each division has an administrative role, responsibility and lines of communication to ensure the effective and correct use of all expenditure of education sectors for every instalment, with respective categories, with eventual submission to the budget department or provincial finance division. According to Budget Law, these four divisions are part of

the internal set-up of the DOF, led by the director. The main functions of these divisions are as follows:

- a) The Budget Division is responsible for checking all payments in order to conform to the budget rules and regulations and make sure that sufficient funds have been authorized in accordance with the Budget Law.
- b) The Accounting Division is responsible for recording payments in the account forms in accordance with the state accounting regulations, and World Bank (WB) or Asian Development Bank (ADB) regulations.
- c) The Controlling Division is responsible for ensuring that correct expenditure procedures are followed in accordance with the financial regulations, and that loan and grant expenditures are audited regularly.
- d) The Cashier Division is responsible for effective administration of payments of recurrent expenses within the Treasury Département, MOF; regulations, as well as WB and ADB regulations.

At PES level, there are similar financial divisions or units which are responsible for the payment of monthly salaries and wages to teaching staff, non-teaching staff and various employees, as well as operating expenditures. Concerning bonuses, there are amounts to 10 per cent of the basic salary for teaching staff (pedagogical bonus), or lump-sum amounts for non-teaching staff, depending on the type of job performed (technical bonus), plus family allowance of which the amount depends on the number of children and occupational status of spouse. Due to the limited budget, there is no subvention for private education.

■ National Assembly Authority

According to Articles 5, 8 and 10 of the Constitution of Lao PDR, the National Assembly has the right to verify and ratify the final expenditure report made by the ministries and provinces. By law, it is not permitted to expend credits different from the original Law on expenditure. However, due to the economic and financial crisis and rapid currency inflation, the difference between adopted and actually implemented educational budgets in 1997-98 was critical; in particular, recurrent and investment expenditures were reduced to the minimum, as shown in table 2 below:

(a) Central adopted and implemented budgets in 1997-98

Table 2. Adopted and implemented budgets, 1997-98
(Unit: in kips)

Items	Adopted budget (1)	Implemented budget (2)	Difference in % (3)
Salary and indemnities	2,661,697,000.00	2,463,954,684.00	92.6
Recurrent non salary	1,062,100,000.00	1,060,102,992.00	99.8
Subsidy	4,587,061,350.00	4,609,060,223.00	100.5
Investment	6,895,000,000.00	6,149,283,920.00	89.2
Total	15,205,858,350.00	14,282,401,819.00	93.9

Note: (3) = (2)/(1) x 100

Table 2 demonstrates that the difference between the adopted and implemented budgets in 1997-98 is more or less balanced. It is noted that the difference between Salaries and indemnities for adopted budget and implemented budget of 92.6 per cent is due to the recruitment of new teachers not having reached the target. In fact, this large difference is not problematic, because the adopted budget is generally high compared to the real budget needs. In contrast, the Subsidy adopted budget is less than the implemented

budget by 100.5 per cent, due to the necessary increase of additional scholarships. Concerning the difference in Investment adopted and implemented (89.2 per cent), this was due to two main reasons: (i) the procurement procedures for civil work took up much time (from the invitation to bid to commencement of work, at least 14 to 16 weeks); (ii) the fluctuating foreign currency exchange rate, plus the unstable inflation rate, led to certain contractors being unable to finish school constructions.

(b) Central Proposed and Reviewed budgets in 1998-99

Table 3. Central Proposed and Reviewed budgets, 1998-99
(Unit: in kips)

Items	Proposed budget (1)	Reviewed budget (2)	Difference in % (3)
Salary and indemnities	3,019,540,000.00	6,078,562,610.00	201.3
Recurrent	5,196,010,000.00	1,733,170,000.00	33.35
Subsidy	7,846,970,000.00	9,361,628,576.00	119.30
Investment	65,180,130,000.00	21,753,140,000.00	33.37
Total	81,242,650,000.00	38,926,501,186.00	47.90

Note: (3) = (2)/(1) x 100

The proposed and reviewed budgets in 1998-99 (see *Table 3*) demonstrate that there are large differences between them. This difference is very critical, due to the fact that Lao PDR is affected by economic and financial turmoil. The Lao currency has been trading at a record low of about 87 per cent from a year ago. Therefore, to counterbalance the kip's decline, the Lao Government has had to increase teachers' and other staff salaries and indemnities, as well as student scholarships. This is why the difference between Salary and indemnities adopted and implemented budgets exceeded 201.3 per cent, and Subsidy by 119.3 per cent. However, through financial

constraints, the Recurrent and Investment budgets were largely cut and remained, respectively, 33.35 and 33.37 per cent. Faced with this situation, and based on the Prime Minister's Decree on the Economy, all state organizations have had to reduce recurrent expenditure on water, electricity, fuel, telephone, etc. and delay all office and house construction apart from the implemented Projects with the World Bank and ADB Fund loan. The problems of water, electricity, fuel and telephone are the most difficult, which the education sector, in particular, faces, as it does not have financial autonomy.

At provincial levels, due to the lack of qualified and skilled accountants at PES standard, administrative bookkeeping has not yet been able to permit the analysis of the nature of costs and specific functions. Recently strengthened procedures have led to improvements in administrative bookkeeping. Payroll lists are sometimes used as a source of statistical information to check and compare data for personnel divisions.

Distribution of expenditures among ministries/provinces and problems of monitoring and evaluation of budget implementation

Previously, the allocation of expenditures to the PES and educational institutions was made by the DPC and DOF as recurrent and investment budgets. *Tables A and B* (all the tables are in Annex 2: Tables) show the overall education budget. Concerning this budget, it is observed that there has been a large increase in the budgetary figures over the five-year period 1993-94 to 1997-98 (from 24.3 billion kips in 1993-94 to 72.14 billion kips in 1997-98). It is to be noted, however, in *Table B* that a large proportion of that increase is due to the very substantial rise in capital expenditure from 8.0 to 31.9 billion kips (within the amount a large proportion is set against external funds) over the five fiscal years, in particular that funded from

international sources (increase from 6.1 to 25.2 between 1993-94 and 1997-98). As a whole, expenditure on capital appears to be specifically higher than recurrent. However, on recurrent expenditure, the picture of public spending shows an increase over the five-year period from 15.4 billion kips in 1993-94 to 40.2 billion kips in 1997-98. This increase over the five-year period should not, however, be directly interpreted as corresponding either to a net real increase in the amount of public resources made available for the sector, or to a greater priority given to it. In fact, in looking at GDP, *Table B* shows that public domestic expenditure on education represents only 1.38 per cent (1997-98); this figure is the lowest of the five years under observation, with a clearly negative trend over the last four budgetary years (from 2.57 in 1994-95 to 1.38 per cent of GDP in 1997-98). The picture demonstrates the same with the budget for recurrent expenditure. The figures for public expenditure on education as a share of GDP are not only declining over time, they appear also to be particularly low by international standards: countries at a similar level of per capita GDP allocate, on average, about 2.6 per cent of their resources on the operation of their system of education (against only 1.38 per cent for Lao PDR) if they are located in Asia, and 3.4 per cent if outside that region.

In referring to the overall recurrent government budget, the figure observed in 1997-98 for education (16.03 per cent) is more or less the average for comparable countries. However, no increase is observed in the share of education in government expenditure over the last four years, suggesting a relative stability in the priority given to the sector among the various claims on the use of public resources.

For distribution of the education budget for regional and central levels by type of expenditures, see *Tables C and D*. *Table C* shows that the overall education budget distributed for central and regional

levels from 1993-94 to 1997-98 increased from 24,363 million kips to 72,140 million kips. Within it, the central budget increased from 10,010 million kips to 38,326 million kips, and the regional budget from 14,353 million kips to 33,814 million kips. It is observed that in the recurrent budget, which increased from 15,449 million kips to 40,220 million kips, a large proportion of the recurrent budget is for, respectively, salaries and fellowships (from 12,527 million kips to 27,909 million kips and from 1,455 million kips to 10,271 million kips). Concerning investment, the share of investment in the government's investment plan represents 10.75 per cent (see *Table D*). Within it, the central budget represents 13.78 per cent and the regional 3.60 per cent. It is to be noted that the proportion for the central increased from 7,283 million kips to 28,920 million kips, and for the regional the capital budget increased from 1,631 million kips to 3,000 million kips (see *Table B*). This does not mean that the MOE did not give priority to primary school construction. In fact, primary school construction, with a World Bank loan and Norway grant, and teacher training colleges' (TTC) rehabilitation and construction were implemented by the PES as well as TTCs, apart from the payment at work completion, which was made by the Education Development Project and DOF, at MOE level. It is shown in *Table C* that the budget for operations and maintenance is very limited: at the central level, the operations budget increased from 326 million kips to 1,157 million kips, and maintenance from 420 million kips to 336 million kips. At regional level, operations increased from 472 million kips to 883 million kips, and maintenance from 249 million kips to 296 million kips. The limitation of operations and maintenance budgets is very critical for educational administrators.

Table E demonstrates the evolution of students by levels from 1993-94 to 1996-97. It is to be noted that the number of students at the different levels is fast increasing: Pre-school, from 29,703 to

35,623 students; Primary education, from 681,044 to 786,404 students; Lower secondary, from 105,497 to 138,361 students; Upper secondary, from 38,176 to 47,755 students. Technical Education students decreased from 7,682 to 3,164 in number, and Teacher Training students also decreased from 4,963 to 3,006, due to the reduction of the number of students and the number of TVET and TTCs for improving the quality of technical education and teacher-training sectors. The number of higher-education students increased more rapidly than the other levels, from 5,281 to 11,978.

Table F illustrates the distribution of unit cost by type of expenditure at the different levels of schooling: there are substantial differences across sub-sectors in terms of the relative importance of the five components of unit costs. Particularly striking is the high proportion of resources devoted to scholarships in post-secondary education. This ranges from 36 per cent of the budget for teacher training to nearly half of the budget for TVET and higher education. The justification for such costly items needs to be reconsidered, especially in light of the National University. Also at issue are the relatively high costs of salaries in post-secondary education, brought about largely because of very low pupil/teacher and pupil/non-teaching-staff ratios.

The relatively high unit cost in post-secondary education illustrates the point made earlier: in an era of constrained budgetary resources, government must ensure that new investment is made according to a well-reasoned set of priorities which balances concerns of quality, growth, and equity. There is considerable scope for raising resources within the sub-sector itself. These funds could be used to expand enrolment and invest in the learning inputs, equipment, and staff development that will be needed to make the university operational. Increasing pupil/teacher ratios in post-

secondary education to 15:1 and the pupil/non-teacher ratio to 45:1 would alone generate savings of approximately 1,097 million kips, or 3.9 per cent of the total education bill. Additionally, cutting the scholarship bill by half (by some combination of cost recovery, reducing the overall amount of the scholarship, or targeting scholarships only to the neediest students) would generate an estimated saving of 885 million kips per year, or 3.1 per cent of the total recurrent education budget.

In addition, *Table G* contains a breakdown of unit cost by level of education (1996-97), making clear the difference in pattern (structure of unit cost) between primary and secondary education, on the one hand; technical education, teacher training and higher education, on the other. In absolute terms, spending per student is much higher on all the items (teacher salaries, non-teaching staff remuneration, operation of schools and student welfare) that together make up unit cost. In relative terms, salaries (in particular teacher salaries) is the largest component of unit cost in the first group of studies (salaries represent about 85 per cent of total unit cost, and even more than 93 per cent of the cost borne at the school level), while the proportion of unit cost for operational expenditure is only around 5 per cent. In the second group of studies, student welfare and operational cost constitute substantial proportions of the unit cost (respectively, about 25 and 13 per cent); the proportion of unit cost that is associated with the presence of non-teaching staff is also noticeable (between 13 and 22 per cent of unit cost).

The DOF and DPC, MOE, allocate directly the recurrent and capital budgets to the educational institutions according to the political Bureau of Lao Revolutionary People's Party notification. However, since 1997-98, following decentralization policies and their impact, the DOF and DPC, MOE, are limited in decision-making on the

allocation of recurrent and capital expenditures, and in monitoring, controlling and evaluation of budget implementations. The DOF and DPC are also faced with constraints in access to data. After the National Assembly approves the education budget plan, the Ministry of Finance and the State Planning Committee declare the provincial recurrent and capital budget allocation amounts directly to all provinces. Then, the Provincial Finance Services and Provincial Planning Services, must, in turn, declare the Provincial Education Services (PES) recurrent and capital budget to PES, in order that they can perform their work. There have been some difficulties in the monitoring and evaluation of the expenses, as the PESs have not reported regularly to the DOF and DPC, MOE. Therefore, the DOF and DPC, MOE cannot monitor and report the budget implementation expenses of the PES quarterly as well as yearly. The DOF and DPC, MOE have been informed of the budget-allocation amount only for those institutions and schools around the MOE. After that, the DOF and DPC, MOE have reallocated the fund and informed every institution and school to prepare their recurrent and capital budget expenditure for authorization.

In practice, at PES level, the Governor has authority for the allocation, authorization and revision of both recurrent and capital budget implementations. The implementation of education budgets is dependent on the Governor and Provincial Finance situations; those provinces that earn sufficient incomes can implement more efficiently than those that earn less. So, the first observation regarding the distribution of resources across provinces and schools in Lao PDR is that there is wide variation in the allocation of approved and actual implemented budgets. Particularly for fiscal year 1998-99, according to the new financial regulations, the Provincial Finance Services have to decentralize the Treasury to Districts, where there are possibly Budgetary Bureaux, and their budget implementation has to suffice.

DEB recurrent and capital budgets are very difficult, because almost all District Finance Bureaux do not have sufficient income.

Allocation of expenditures for the teaching staff

According to the financial management system, the funds for teaching staff are allocated directly by the central government level to the educational institutions and are passed through the PES and DEB for pre-schools, primary and secondary schools. The finance divisions of the PES and DEB are responsible for drawing the allocated budgets for teaching staff of primary and secondary schools, in accordance with the number of staff. The distribution of resources for teaching staff is based on the personnel system of the MOE. Generally, there are three types of personnel working in the education sectors, namely, teaching staff, non-teaching staff and employees. Each type of personnel has its own salary scale and position, with systematic classification.

Procedures for recruitment and deployment

Concerning the procedures for recruitment and deployment, there are two methods as follows:

- (a) For the quota students who have graduated at teacher training colleges or at national university, they are appointed and deployed to the PES, in the area where they have come from.
- (b) The non-quota students who have graduated must pass an examination based on the specific teachers needed in each province and the available budget. This method is used by PES for primary and secondary teachers, and is approved by the MOE. For vocational and higher education institutions, lecturers can be recruited and submitted to the MOE for approval.

When recruited to public service, persons are classified according to educational qualifications. Within five grades, persons are located in specified echelons or incremental levels (see Table 4 below). Thus, a person with '5+3' (five years of primary education plus three years of training) is placed in Grade 2 at echelon 3 (64,000 kips per month) while a person with '11+3' (11 years of school education to upper secondary plus 3 years of training) enters Grade 4 at echelon 1 (102,000 kips per month). The appointee serves a period of probation of 12 months, during which time he/she receives 95 per cent of the official salary and none of the allowances.

Table 4. The Civil Service pay scales (Unit: in kips)

Payment	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Base pay	50,000	60,000	77,000	102,000	135,000
Index	500	600	770	1,020	1,350

In addition to the above grading, there is a further classification of position into 10 grades. Positions in this classification are those which carry administrative authority and responsibility. This classification was established for the entire public service in the Prime Minister's Decree No. 173/PM in November 1993. For example, the Minister of Education is in Grade 3, the Vice-Minister in Grade 4, the Director of a Department in Grade 5, the PES Director in Grade 6, a high-school Director in Grade 8, and a primary-school Director in Grade 10. Each grading in this position classification carries a particular financial entitlement. For example, Grade 5 receives 25,000 kips, while Grade 10 receives 5,000 kips. A further salary allowance is given for family situation, for example, an allowance of 5,000 kips is payable for each child. This arrangement raises many questions about the efficacy of the personnel system in motivating staff or in promoting the efficient and effective use of staff.

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In 1998, there were 46,393 posts in which 42,065 teachers (90.7 per cent) and 4,328 non-teaching staff (9.3 per cent) were working in the education sector. For salaries pertaining to pre-school, primary and secondary education, the DOF uses the education statistics to obtain the number of teachers and non-teaching staff employed in schools by level of education; the DOF uses data from the Department of Personnel at the MOE to identify the number of teachers and non-teaching staff employed at the provincial and district levels. These two types of data (from 1993-94 to 1996-97), as well as data on students and classes by level of education and the number of administrative staff employed at the central level, are provided in annex to the report.

Estimation of average base salary

On the basis of the pay scale mentioned above (including the allowances) and of the distribution of personnel by formal qualification and seniority, it is possible to calculate the average level of salary of personnel at different levels of schooling. *Table 5* below provides these estimates:

Table 5. Estimated average annual remuneration of teachers by level of schooling (1993-98)
(Unit: in kips)

Levels	1993-94	1994-95	1995-96	1996-97
Pre-school	464,724	489,460	495,269	591,109
Primary schooling	464,413	486,546	494,504	589,696
Lower secondary	517,094	551,359	569,708	670,669
Upper secondary	586,194	610,593	627,117	719,830
Technical/Vocational education	536,700	558,500	573,800	671,300
Teacher training	595,728	619,920	627,000	726,449
Higher education	597,600	632,200	639,400	739,200

The above figures demonstrate the level of remuneration of the teachers at different levels. When estimated in per capita GDP units (per capita GDP was estimated at 435,100 kips in 1996-97), the primary-education teacher's average salary amounts only to 1.35 unit (this statistic was 1.95 in 1993-94). This is a very low figure by international standards, in particular when comparison is made with countries at the same level of economic development as that of Lao PDR; the average figure is 2.8 for the Asian countries (that is more than twice the amount of the salaries currently observed in Lao PDR). It is therefore clear that teachers' salaries are very low in the country and the necessity of substantially increasing teachers' salaries will eventually need to be faced. It is of note that the pay scale is relatively 'flat', with little difference according to duration of employees' studies, as mentioned earlier. For example, between a teacher who is '5+3' (meaning five years of general education plus three years in a teacher-training college) and another who is '8+3', the difference in remuneration represents only 12 per cent in the 1997-98 scale (between '8+3' and '11+3', the difference is also 12 per cent). This is a low figure.

Compared with other ministries, that for education has been given the privilege to be able to request a revised budget for improvement of education quality in terms of good student-enrolment figures and teaching staff, size of school and number of classes, and level of education programmes. The annual budget will be automatically allocated for existing posts, with an annual rise of about 5 per cent. The budget for teaching staff is based on the number of current teachers and requirement for new teachers. The budget provision will be forwarded to the specified provinces, districts or institutions accordingly.

With regard to statistics, there is a statistical division or unit at all administrative levels for the collection of data. However, most collected data are not used efficiently. The resources for teaching staff are both explicit and implicit. Even though disparities between urban and rural areas obviously persist, the MOE has tried to reduce disparities among provinces and institutions. It has favoured rural areas, by increasing by about 15 to 25 per cent salaries for teachers in the remote areas. In theory, the procedure for allocation of resources is subject to a strict schedule. But in practice, the schedule is more or less controlled by internal and external factors.

Allocation of expenditures for non-teaching staff

Non-teaching staff can be classified into two major categories, namely, administrative personnel including administrators and assistants; and general staff, including typists, clerks, drivers, security guards, etc. Allocation of salaries and wages for non-teaching staff is made in the same manner as for teaching staff. The budget and resources are allocated according to the manpower structures.

Arrangements for budget support for institutions in, for example, the maintenance of gardens, school services, canteens and boarding facilities depend mainly on the type of institution. For instance, there should be at least one canteen for each teacher training college, technical school and university. And there should be boarding facilities for the director, deputy director, teaching staff or institution employees where necessary. The budget will be allocated based on these criteria.

Allocation of other recurrent expenditures

Other recurrent expenditures are for: remunerations, services, materials, public utilities, subsidies and other expenses in accordance

with the budgetary nomenclature. Remunerations include, for example, housing allowances, overtime payment; while the service budget covers per diems, accommodation and travel, repairs, training and seminars. The material budget can be used for office supplies, petrol, printing and instructional materials. Electricity, water, telephone and postal costs are public utilities. The subsidy items cover scholarships, compensation and other unexpected expenses.

The MOE's budget system is relatively centralized; all recurrent budget items are approved by the MOE. All itemized expenditures for educational institutions will be allocated and they will be informed of their annual budget. In order to facilitate the operation of the institutions, expenditures allocated under remuneration, service and materials may be spent on a specific item under any of the three categories that the institution considers appropriate. Meanwhile, subsidies and other expenditure may be modified by the approval of the budget department or Provincial Finance Service. In principle, the credit is divided according to the work plan of each institution. Unfortunately, with the limited budget available, the recurrent budget allocated does not reach primary and secondary schools, which are normally supported by community and parent associations.

With reference to the resource distribution across categories of expenditure, it is of note that 84 per cent of the recurrent budget is assigned to salaries and administration; 7 per cent is for operations and maintenance. Textbooks come under the heading 'fellowships and subventions'.

Control of wage bill and the problem of 'ghost' teachers

In principle, the control of salary payments to teachers, educational administrators, employees and ghost teachers in the education sector consists of three steps (see paragraphs below

relating to DEB/PES/MOE responsibilities). The number of civil servants and the corresponding wage bill for the first and second halves of the year are controlled as follows:

District Education Bureau (DEB)

Amongst the responsibilities of the DEB is control of the number of teachers, educational administrators and employees, as well as checking the increase or decrease in numbers at pre-schools and primary schools covered by it. Based on an agreement on change in the workplace, staff changes due to, for example, change of workplace, retirement or pensioned, death, discharge/drop out, as well as two-yearly promotions are amongst the activities which the Provincial Education Service oversees. This agreement should be made at the beginning of the first half of the year or the second half of the year. Then the District Financial Unit must compile and submit the payroll list and forward it to the Administrative Unit, then to the Financial Education Unit at District level for consideration, control and authorization of the salary budget.

Provincial Education Service (PES)

The administrative unit of the PES has responsibility for checking the number of teachers, educational administrators and employees, the increase or decrease in the number of employees in the area of education at the level of the DEB, and all secondary schools and technical colleges covered by PES. Based on an agreement on change in the workplace, staff changes due to change of workplace, retirement or pensioned, death, drop out/discharge, upgraded knowledge in the country or overseas, two-yearly promotions, are amongst the activities which the Ministry of Education must oversee and release agreement. This agreement should be made at the beginning of the first half of the year or the second half of the year. Then the Provincial Finance Service must compile and submit the

payroll list of every institution or school and forward to the Administrative Service and Department of Finance at the Ministry of Education for consideration, control and authorization of the salary budget.

Ministry of Education (MOE)

According to the central task of the Ministry of Education, its Department of Personnel and administrative officers have the duty to control the number of teachers, educational administrators and employees in the education sector, checking the increase or decrease in employees at the level of the PES, in the National University of Lao PDG, teacher training colleges and all the technical and vocational institutes. All mentioned institutions are parties to the agreement on change of workplace, retirement or pensioned, death, upgraded level in the country or overseas, discharged, promoted according to number of working years, approved by the Minister at the beginning of the first half of the year or the second half of the year. Then the Department of Finance of the MOE must summarize all the budget plans of each education sub-sector, to be approved by the Ministers of the Ministry of Education and Ministry of Finance. After the salary budget plan has been authorized by the Ministry of Finance, the procedure for withdrawal of the salary for the PES will be instituted at the Provincial Treasury. For those institutions coming under the Ministry of Education, after authorization from the Ministry of Finance, they can withdraw money from the Treasury at the Ministry of Finance, directly.

With regard to the above-mentioned controlling steps, in principle there is no problem with 'ghost' teachers or 'ghost civil servants', but in practice, it appears that 'ghost' teachers or 'ghost civil servants' still exist in certain schools or institutions, because control still depends on receiving reports. Also, there is no check by educational

controllers as to the real number of civil servants at each institution. Therefore, some of the 'ghost' teachers or 'ghost civil servants' are still on the budget salary list at the first semi-annual period or last semi-annual. Those schools or institutions that have received these ghost salaries, use them as recurrent expenses, because the recurrent budget is very limited. Thus, for budget regulation, these expenditures do not add up, but those schools or institutions that have spent these monies must reimburse them to the Treasury of the Ministry of Finance or to the Treasury of the Provincial Finance Service.

Procedures for management and disbursement of foreign assistance in education

Foreign assistance in the education sector

All external resources, including resources for the purpose of carrying out projects, in the form of equipment and materials in foreign exchange and proceeds from credits and grants, commodity aid, gifts and other donations, technical, humanitarian and emergency assistance from abroad received by the government organizations, should all be centralized and classified as the revenue of the national budget in order to be utilized in accordance with the purpose agreed by the government and the donor.

The financing of education has primarily been the responsibility of provinces and districts, which have had their own revenue base and negotiated their budgets directly with the MOF. Between 1990-1997, annual total public expenditures on education were estimated to have been equivalent to about 2.5 per cent of GDP, education spending among the lowest in the low-income Asian countries. As in other sectors, the government has relied heavily on external funding to cover the expenditures. From 1994 to 1998, external assistance to

the education sector amounted to about US\$85 million equivalent, of which 45 per cent was provided by multilateral donors and 50 per cent by bilateral aid agencies and non-governmental organizations. The major multilateral donors were the World Bank, ADB, UNDP, UNESCO, and UNICEF, with the major bilateral donors including Japan, Switzerland, Norway, Australia, Germany and France. The first IDA credit in the education sector was the NPI project (Credit 2001LA, 1989) and the Swiss Development Co-operation (SDC), aim to train engineers and a technical manager for the productive sector of the economy. Following the approval of the NPI project in 1989, the government requested IDA assistance to develop and implement a programme for overall education-sector reform. The Education Development Project (IDA-2488 LA) would aim to address immediate needs for quality improvement in basic education and establish a policy and institutional framework for long-term sector development.

Following the sector strategy, the ADB is assisting the government through three projects: (a) Education Quality Improvement Project (EQIP, Loan No. 1103-Lao). EQIP aims to strengthen the teacher-training system for primary and lower-secondary levels and provide instructional materials to teacher training colleges; (b) Post-secondary Education Rationalization Project (PERP, Loan No. 1374-Lao). PERP aims to establish a National University and to reorganize the post-secondary education and training system through rationalization and consolidation; (c) Basic Education Girls Project (BEGP, Loan No. 1621-Lao). BEGP aims to expand access, improve relevance, quality and efficiency and strengthen the management systems and capacity of the MOE, PESs and DEBs.

Implementation procedure

In general, a project consists of the following phases:

Project identification: a project is normally identified during periodic consultations with the borrower's country. Before project identification, a study is made of the country's economic situation.

Project preparation: a fact-finding mission is undertaken to obtain detailed information on all aspects of the proposed project to justify proceeding to the next stage.

Project appraisal: all aspects of the project proposal, and the sector to which it relates, are reviewed and analyzed.

After the bank has determined that the project is suitable for bank financing, formal loan negotiations take place. When negotiation is successfully completed, the proposal is submitted to the bank's Board of Directors. Upon approval of the proposal, a loan agreement is signed.

Project implementation: normally, three months are allowed for the loan agreement to be effective, during which time the bank can withdraw the loan fund. However, work on project preparation may take some time to accomplish (this includes selection of consultants, detailed designs, preparation of tender documents, invitation for bids, bid evaluation, awarding of contracts and procurement of equivalent).

Post evaluation: a post-evaluation mission is undertaken at an appropriate interval after the project completion report has been prepared. The mission also identifies lessons learned from the project.

Disbursement procedures

■ Disbursement from the loan account

To disburse from the loan account, the bank applies the following disbursement methods and procedures:

- (a) Direct payment procedure: the bank will pay directly from the loan account to the suppliers of goods and services, upon the request of the borrower. The direct payment procedure is for: substantial civil work; consulting services; non-letter of credit (L/C) overseas purchase of goods; training and fellowships.
- (b) Commitment procedure: the bank, at the request of the borrower, provides an irrevocable undertaking to reimburse a commercial bank for payments made, or to be made, to a supplier against a Letter of Credit (L/C) financed from the loan account. This procedure is for substantial purchase of overseas goods.
- (c) Reimbursement procedure: the bank transfers payments from the loan account to the borrower's account or, in some cases, to the project account, for eligible expenditures that have been incurred and paid for by the project out of its budget allocation or its own resources. This procedure is for the following items:
 - (i) Retroactive financing: this covers expenditure paid for by the borrower prior to the signing of the loan Agreement, and can be reimbursed from the loan proceeds. Reimbursements for eligible expenditures incurred and paid for by the project out of its budget allocation or its own resources during the project implementation are made from the loan fund.
 - (ii) Force Account: the reimbursement is for the civil work executed by the project when the bidding process was not appropriate, and this expenditure can be reimbursed from the loan.

■ Imprest/Special Fund procedure

The bank (WB, ADB) will transfer the amount specified in the loan Agreement and the estimated expenditure for the first six

months of the project from the loan account to an imprest/special account. This account is opened by the borrower (FCD, MOF) at the Banque pour le commerce exterieur Lao, or the Bank of Lao PDR. The deposit can be replenished: after the fund has been used up to a total of US\$50,000.00, or when the balance reaches such level that it needs topping up. In requesting the amount to be replenished in the imprest/special account, the borrower should report on the use of funds to the bank.

Methods and forms of disbursement

■ Methods of disbursement:

(a) Disbursement consists of two methods:

- (i) First method.** The donor makes payments directly to domestic and foreign suppliers/contractors in payment for civil work, goods and services, consulting services, seminars and training.
- (ii) Second method.** The government (represented by the Ministry of Finance) pays for civil work, goods and services, seminars and training both within the country and abroad from the imprest/special accounts opened with the state commercial banks or with the Bank of Lao PDR (BOL) after the initial deposit has been credited into the said accounts. It may also send applications (withdrawal application/authorization to pay/reimbursement authorization) to the lender or the grant donor; or certify the provision of goods and services by the foreign suppliers to the donors (i.e. issue visa).

(a) Forms of disbursement:

The disbursement of loans and grants takes seven forms:

- (i) Letter of credit (L/C);**
- (ii) Bank Draft;**

- (iii) Telegraphic Transfer (T/T);
- (iv) Authorization to pay (A/P);
- (v) Reimbursement Authorization;
- (vi) Direct payment; and
- (vii) Visa.

Documentation for payment

For the payment and issuance of a visa, besides a copy of the loan and grant agreement, the approval of the Prime Minister's Office or the Decision of the Minister of Finance on the use of such resource, and a bid evaluation report or the procurement report signed by the authorized bidding committee, the following documents in four sets, including two sets of the original, must be attached:

(a) Payment by L/C

- Application from the organization concerned signed by the authorized person;
- Bid evaluation report, tender document signed and certified by the authorized bidding committee;
- Purchase order or contract, contract for consulting services;
- Performance security/Bank guarantee;
- Pro-forma invoice.

(b) Payment by Bank Draft

- Application from the organization concerned, signed by the authorized person;
- Invoice;
- Purchase order or contract;
- Cargo Receipt Certificate signed by the project manager;
- Import Declaration (D.10);
- Import License;
- Bill of Lading/Airway bill;

- In the case of shopping or bidding, there should be a report to that effect signed by the authorized bidding committee and copy of quotations of other bidders.

(c) Payment by T/T

The same as for Bank Draft.

- Application from the organization concerned, signed by the authorized person;
- Invoice;
- Purchase order or contract;
- Cargo Receipt Certificate signed by the project manager;
- Import Declaration (D.10);
- Import License;
- Bill of Lading/Airway bill;
- In the case of shopping or bidding, there should be a report to that effect signed by the authorized bidding committee and copy of quotations of other bidders.

(d) Payment by A/P

- Application from the organization concerned, signed by the authorized person;
- Exchange of Note;
- Certificate of Verification of the contract;
- Contract;
- Bid Evaluation Report;
- Payment order will be issued in the full amount of the contract;
- Authorization to withdraw from the budget allocation of the ministry, organization, province, or prefecture concerned to pay bank service charges overseas.

(e) Payment by reimbursement authorization (the same as for L/C)

- Application from the organization concerned signed by the authorized person;

- Bid evaluation report, tender document signed and certified by the authorized bidding committee;
- Purchase order or contract, contract for consulting services;
- Performance security/Bank guarantee;
- Pro-forma invoice.

(f) Direct payment (the same as for the Bank Draft)

- Application from the organization concerned, signed by the authorized person;
- Invoice;
- Purchase order or contract;
- Cargo Receipt Certificate signed by the project manager;
- Import Declaration (D.10);
- Import License;
- Bill of Lading/Airway bill;
- In the case of shopping or bidding, there should be a report to that effect signed by the authorized bidding committee and copy of quotations of other bidders.

(g) For issuance of visa

- Application from the organization concerned, signed by the authorized person;
- Pro-forma invoice certified and checked by the project manager;
- Statement of progress of the project;
- Other documents deemed necessary by the Ministry of Finance.

(h) The payment of civil work

The documentation for the payment of civil work is dependent upon the form and method of payment, but there should be the following additional documents:

1. The same as for the Bank Draft for the payment of a turnkey civil work contract. For an ordinary civil work contract, there should be a statement of progress of work signed and certified by the consulting firm, project manager and concerned section of the ministry, organization, province or prefecture-owner of the project.
2. For a small civil work/repair contract there should be a memorandum of inspection of work signed and certified by the authorized inspecting committee. If the project is in the locality, there should be a signature of the representative of the provincial, prefecture or special zone administration.

(i) Payment from the Imprest/Special Account and replenishment

- Based on Article 48 of the Budget Law, in order to facilitate project implementation, it is permitted to open a petty cash account for the project, and the Ministry of Finance will transfer an advance of US\$10,000 (except as otherwise agreed with the donors) to such account, following the request of the authorized representative of the ministry concerned. The petty cash account should be used for urgent, routine project expenditure. The project should account for previous transfers with regard to the petty cash account and submit the following supporting documents to the MOF:
 1. Copy of the statement of bank account;
 2. Copy of the bank draft or cheques;
 3. Documents on the purchase of goods and services (pro-forma invoice, purchase contract, employment contract);
 4. Receipts and others.
- The project should be responsible for the preparation of documents and replenishment application in co-ordination with the FCD (Treasury), MOF.

Specific procedure for project's budget formulation

In order to ensure funding of the project implementation, the project co-ordination unit should formulate the budget in conjunction with the relevant sections/organizations:

- (a) the section concerned of a Ministry of Education, if the project is under a ministry with the aim of being incorporated in the Ministry budget proposal;
- (b) the service concerned of a province, with the aim of being incorporated in the service/province's budget proposal;
- (c) ministries and provinces will incorporate all the proposals and subsequently submit them to the relevant authority.

Budget execution

The project Management will divide annual budget allocations into quarters, semesters or items in accordance with the priority of the activities before transmission to the Budget Department, in the case of the central level. The division of budget allocations into quarters or items should follow the budget nomenclature. The division of budget allocations into items covers such categories as construction and maintenance, new purchases, rent etc.

Report on budget execution

The quarterly report on budget execution, together with the next quarter's disbursement plan, should be forwarded to the Budget Department, in the case of the central level, and to the Finance Department in the case of the local level. For the third quarter, there should be a report on budget execution for the last three quarters and estimation for the fourth one.

Details of disbursement procedures

■ Ministry of Education

(a) Project Director /Implementing Unit

- Receives contractor/supplier's invoice/bill;
- Examines/reviews documents;
- Endorses documents of the Department of Finance (DOF) of the Ministry of Education (MOE).

(b) Department of Finance (DOF)

Director of DOF (budget, accounting, controlling and cashier divisions)

- Reviews documents and endorses payment of claim;
- Sends documents, together with the payment request, to Minister, Ministry of Education (MOE) for approval and signature;
- Sends documents to the Foreign Currency Department (Treasury) of the Ministry of Finance for final review and approval.

■ Ministry of Finance

(a) Foreign Currency Department (FCD, Treasury), MOF

- FCD examines/verifies validity of documents for approval and Payment Order signature;
- After signature of Director's FCD (Treasury):

(i) In case of direct payment:

- Endorses documents (Withdrawal Application (W/A)) to Minister of MOF for
- approval and signature;
- After signature of Minister, sends the W/A to the bank for payment.

(ii) In case of imprest/special payment:

- MOF requests the corresponding bank to make payment directly to contractors/suppliers;
- FCD sends the payment order to the bank (BCEL/BOL);
- Together, send bank documents/approved payment order to Project Director for recording.

(b) Disbursement of government contribution

After budget allocation for the government counterpart fund, to meet local costs of all projects, has been completed, and will be provided by the MOF, the Budget Department approves it and forwards it to the Treasury Department for payment. Cash contribution is an allocation included in the annual budget of the project, in accordance with the percentage financed by the government budget:

- (i) The project should file a request to the Minister, in the case of the central level, to the Director of the Education Department, in the case of the province, prefecture and special zone.
- (ii) The MOE will send an application to the MOF, in the case of the central level; or the Director of the Education Department will send an application to the Director of the Finance Department, in the case of the province, prefecture and special zone.
- (iii) The Budget Department or the Provincial Finance Service will issue an approval of budget expenditure and payment order.
- (iv) The Treasury Department, or Treasury of the province, approves the disbursement by sanctioning the withdrawal of funds, with authorization to pay (in the case of a transfer), the withdrawal of cash (in the case of cash), debit or credit advice, and the cash-withdrawal slip serves as a record of the transaction.

Government contribution 'in kind' is a benefit in different forms provided to the project by the MOE. This contribution should be included in the annual budget plan of the project. Every contribution in kind in the project activity should be certified by the relevant organization, as a basis for recording purposes.

(c) BOL/BCEL

- Disburses and pays contractor/supplier out of imprest/special account;
- Sends debit note to the MOF and copy to project director. The document shows payment details, such as amount paid, exchange rate used (kip to US\$), US dollar equivalent and other references.

Problems and recommendations

1. Status of disbursement procedures

(a) The withdrawal applications (W/A) for all disbursement procedures (direct payment, reimbursement, commitment letter and replenishment of imprest/special account) and counterpart fund are subject to at least six stages of approval. The applications are prepared by the Project Co-ordination Unit (PCU) of the MOE and submitted for approval to the Project Director and the Director of the Finance Department. Upon approval by the Finance Department, withdrawal applications for civil work payments are submitted for the approval of the DPC (MOE), then submitted to the Minister of the MOE for approval, and formal covering letters approving the applications for withdrawal of accounts are submitted to the MOF.

For withdrawal of foreign funds, the loan and grant disbursement division of the FCD (Treasury) of the MOF reviews the W/A to ensure that:

- (i) Claims are charged to the right loan category.

- (ii) All documents required to support the claim are complete. The MOF finally approves and sends the applications to the bank (WB, ADB) for disbursement of funds. The whole process, from preparation to submission of the W/A to the bank, normally takes about four-five weeks, though in some cases, it can be as long as six weeks or more.

In the past, four major areas have been identified which slow down the disbursement process of the loans:

- (i) shortage of qualified staff;
- (ii) inadequate procurement and accounting procedure;
- (iii) lack of counterpart funds; and
- (iv) use of imprest/special accounts.

In the MOE, a typical withdrawal application requires from four to eight approval signatures prior to being sent to the MOF for approval. This process can take up to four weeks, depending on the availability of qualified staff, with knowledge of the system. Another delay may be caused by the return of the W/A by the MOF for various reasons ranging from incomplete documentation, to insufficient funds, or the W/A was set against an incorrect disbursement category. Major difficulties with disbursement are related to the civil works component, because of inadequate initial construction design, a complicated bidding process, and lack of MOE internal experience and capacity in planning and contracting major construction projects, especially in the early stages of implementation.

- (b) The government's commitment to provide counterpart funds for donor-assisted projects should accord high priority to ensuring smooth implementation of projects. The allocation of counterpart funds might become problematic in the future as the impact of the regional economic crisis intensifies in the country. Furthermore, there are new projects in the initial stages of project implementation that require counterpart funding from the

provincial government. The delay in the release of counterpart funds has three possible causes:

- (i) lack of adequate planning for projected investments;
- (ii) delays in disbursement of funds from the Treasury to the MOE;
- (iii) insufficient counterpart funds.

The Public Investment Programme (PIP) provides for investment cost, associated with the World Bank and ADB projects for equipment purchases and civil works. However, requests from the MOE for these expenditures are often cut back during the planning process.

■ Recommendations

1. Delegation from Minister to Director of the Finance Department within the MOE

The MOF has urged all line ministries to simplify their own approval procedures. The MOE has already streamlined its approval procedures from five-seven stages to three stages. The whole process from preparation to submission of the W/A to the bank would be reduced from five-six weeks to two-three weeks only.

2. Delegation of authority for the approval of W/As

For the time being, the MOF should be able to simplify its approvals system from the previous pre-auditing method by only recording the amount of the W/A for the purpose of budget control. To further control the process, it was recommended that a deadline of five-seven working days should be set for the MOF to complete the approval work. Also, the authorized person to sign the W/A should be delegated from the Minister of the MOF to the director of the FCD (Treasury), or an Officer-in-charge

system should be established to avoid delay due to the absence of authorized persons.

In the long run, the MOF should delegate the authority for signing W/As to the director of the Finance Department (MOE) or the project director, to avoid delay. The MOE will only be required to send a copy of the W/A to the MOF for the purpose of recording and control of the annual budget.

3. Transfer of the imprest/special account to the MOE

Currently the imprest/special account is controlled by the MOF and every payment must have clearance. The government is considering fully delegating authority and responsibility for approving claims from the MOF to the MOE (PCU). The MOE would open and maintain project and imprest/special accounts. The PCU has fully computerized the system and is qualified to take over the work. However, the MOF would still exercise a monitoring and co-ordination role in the administration of external aid.

4. The SPC, MOF and MOE should monitor, on a quarterly basis, the availability for the release of counterpart funds, project by project. The government should clarify that the concerned provincial government will be responsible for allocating sufficient counterpart funds for the project components in the provinces. However, the PCU of the MOE should assist the provincial government in budget preparation by providing recommendations for the counterpart fund requirement.

Procedures for procurement of school equipment and construction

To execute the budget allocated, including all resources (internal and external funds) for procurement, all Departments, PESs and educational institutions must adhere strictly to the bank guidelines

(ADB, WB) and especially the Prime Minister's Decree of Government Procurement No. 95, dated 5 December 1995, and the Ministry of Finance's implementing Rules and Regulations on Government Procurement of Goods, Construction, Repairs and Services. Teaching equipment/materials and school construction are centrally ordered by the purchaser.

Norms for estimating the needs

- Norm = standard price;
- Norm is different from price;
- Norm can be calculated by asking companies inside/outside of country:

For goods: Norm estimating price,

For work: Norm shall be calculated based on raw materials and labour cost;

- Norm is secret and subjective;
- Norm may change from time to time.

Identification

Preparation of package: to determine school equipment/work to procure, to group school equipment/work and to define package. If the equipment/materials/work required are on a long list with different categories, the package should be reasonably balanced with regard to the package value. For example: if the procurement includes physics and chemical items, the package bid will be separated into two headings, one for Physics and one for Chemical products.

Pre-qualification: In the case of substantial construction or fabrication of specialized equipment, contractors or suppliers should be pre-qualified to ensure that those who participate have the necessary experience.

Bid preparation: Bidding documents sent by the purchaser or project owner to potential bidders set out the terms and conditions of the procurement; they will include such items as a copy of the invitations to bidders, bid forms, specifications for the goods or works, form and conditions of contract, bid security requirements, etc. The bidding document will be prepared in accordance with the rules and regulations on government procurement and the procurement guidelines of the donors (World Bank, Asian Development Bank). Technical specifications should be clear; catalogues and photos are very necessary to avoid misunderstanding. Bid validity is based not just on the evaluation time, but also the bidder's preparation specifying the nature of goods, services or work to be procured. The validity of the bid shall be necessary to complete the Bid Evaluation, including the issuance of the award and signing of the contract.

- Bid opening: Bid opening shall take place in a location convenient to bidders and shall be held in one session, which can begin at 9.00 a.m. It will be conducted over the course of one day.
- Bid evaluation: Using the Merit estimate is subjective. If the average is largely different from the norm, estimating by increasing or decreasing, the purchaser will check with the norm the lowest evaluated price. According to the norms, the purchaser can decide to reject or accept the bid.
- Award of contract: the decision of the procuring entity to enter into a contract with the successful bidder following a procurement procedure which is notified to the successful bidder.
- Implementation: The goods (physics/chemical equipment) or civil works programmes are established and strictly followed by both the procuring entity and the companies concerned, to ensure the procurement of goods or work is carried out in the time required.

- **Payment:** payment to the contracted bidder will be made in kips equivalent to US dollars with the bank rate applicable on the date of payment. The Purchaser will make payment to the Supplier in the following manner:
 - (i) on receipt of goods at the site: 95 per cent of the contract price of goods shall be paid within 30 days of receipt of goods, on submission of claim supported by proper evidence of receipt issued by the Purchaser's representative;
 - (ii) on acceptance of the goods: 5 per cent of the contractual value of the goods, upon expiration of the warranty period of '90 days'.

Procurement methods

Based on the nature of school equipment or school/institution construction to be procured, and the price estimated, the procurement can be notified and divided into at least four methods, as follows:

- a) Domestic Public Bidding (DPB):* This is the basic method of public procurement and must be used unless there are circumstances that justify the use of the exceptional procedures described below. Under this procedure, all firms and individuals that are capable of providing the goods or works sought shall be given an equal opportunity of submitting bids following notification in accordance with Article 12 of the government regulation. The invitation to bid must be notified to potential bidders in a mass-circulation Lao-language newspaper. This procedure involves the following steps:
 - (i) preparation of bidding document;
 - (ii) notification;
 - (iii) issue of bidding documents;
 - (iv) time limits;

- (v) receipt of bids;
- (vi) opening of bids;
- (vii) examination of bids;
- (viii) evaluation of bids;
- (ix) award of contract;
- (x) rejection of bids.

For example, the case is given where the MOE undertook to print textbooks and teacher guides for the Teacher Development Centre with World Bank Loan No. 1103-Lao (SF). The value of the goods for Package III amounted to 64,197,284.00 kips equal to US\$18,130.00, and Package IV amounted to 54,941,670.00 kips, equivalent to US\$15,516.00, hereinafter called the 'contract price', as detailed below:

Package	in kips	in US\$
Package III amount	64,197,284.00	18,130.00
Package IV amount	54,941,670.00	15,516.00
TOTAL	119,138,954.00	33,646.00

- b) *International Competitive Bidding (ICB) or International Public Bidding (IPB)*: To be notified in a mass-circulation English-language newspaper published in Lao PDR and, where possible, in an international English-language newspaper;
- c) *Local Limited Bidding (LLB) or International Shopping (IS)*: Invitations to bid should be sent at the same time by registered post to the suppliers or contractors selected by the procuring entity; invitations to bid should be sent to at least three bidders and, in the case of international procurement, to at least three bidders in at least two different countries. For example, the MOE, the Purchaser, is desirous that certain goods and services should be provided by the Supplier, for printing, including the supply of paper, of textbooks and teacher guides for Grades 3 and 6,

including the binding, finishing, packing and delivery to the point of destination, and has accepted a bid by the Supplier for the supply of those goods and services in the sum of US\$585,657.00, including US\$2,995 for inland delivery cost, hereinafter called the 'contract price' as detailed below:

Package No. 1: Grade 3 textbooks, quantity 323,800, for US\$243,530.00,

Package No. 2: Grade 6 textbooks, quantity 363,500, for US\$288,587.00,

Package No. 3: Grade 3 and 6 teacher guides, quantity 46,300, for US\$53,540.00.

- d) Quotation of Price (QOP) or Price Comparison (PC) and Direct Contracting (DC): This procedure may be used for purchases of goods to be used in day-to-day administration and which are subject to frequent purchase, where the annual aggregate value of such goods does not exceed the appropriate threshold values set out in Article 11 of the governmental purchasing regulation. In the absence of bids, or responsive or suitable bids, which comply with the requirements of the invitation to bid following the notification announcing a public or limited bidding procedure, the procuring entity may directly approach the suppliers or contractors from whom it intends to solicit quotations.

The notification shall include reference to:

- the identity of the procuring entity;
- a summary of the works or goods sought;
- address for bidding document, further information and submission of bids;
- cost of bidding documents;
- procedural requirement;
- final date for submission of bids.

Concerning the thresholds:

The procurement procedures concerning contracts whose estimated values, before any applicable taxes and duties, are as follows:

- In the case of local procurement
(Unit: x million kips)

Value in kips	Public bidding	Limited bidding	Price comparison (Annual aggregate value)
Works	300-3,000	30-300	
Goods	150-1,500	30-150	Below 30

- In the case of international procurement
(Unit: x million kips)

Value in kips	Public bidding	International comparison
Works	Above 3,000	Below 3,000
Goods	Above 1,500	Below 1,500

The threshold value shall be reviewed every two years by the Ministry of Finance. The threshold levels shall normally be increased in relation to the consumer price index. Revision should normally be increased where such index evidences an increase of 20 per cent and the Ministry of Finance shall adjust the threshold values accordingly, routing the values up to the most appropriate figure.

The time limits used by the procuring entities should be reasonable, take into account the nature of the goods, services or works to be procured and give adequate and equal time for all bidders to prepare their bids. The following minimum time must be observed:

From date of notification	Public bidding	Limited bidding and Price comparison	Direct contracting
Normal procedure	45 days	Domestic and International: 30 days	20 days
Accelerated procedure	30 days	Domestic: 15 days International: 20 days	10 days

Problems, issues and recommendations for improvements in the existing procedures and regulations

Problems

In principle, the budget allocation of Lao PDR is comprised of Central Budget and Local Budget. There is low economic growth in Lao PDR, especially in respect of national income, as provincial income is limited. In addition, there is the financial crisis in the Asia region. Other problems include a very high inflation rate, a fluctuating exchange rate, and high increase in the price of goods. There is a weakness of co-ordination between macro and micro planning, budgeting and staffing, as well as the lack of an effective system on monitoring-evaluation of planning and budgeting.

Issues

At this time, the government must proceed with caution, with a step-by-step approach to solving the economic situation and ensuring stability. Limiting the fluctuation of the exchange rate and trying to control the exchange rate is important. The government must improve income according to target and ensure that operating costs, salaries, recurrent expenditure and investment funds are handled in such a way as to build the basis for improved education. The government should have suitable policies and regulations to allocate appropriately the investment budget to the education sectors around the country.

Recommendations

The budget allocation and the budget implementation plan of the education sectors, would be better organized if the government were to fix a suitable percentage of the recurrent expenditure and investment for the Ministry of Education who, in turn, would allocate the fund to provincial education services and other suitable institutions, providing for all the education sub-sectors for every

period. In addition, the MOE could control and evaluate the implemented plan according to the government's authorized time-scale. The allocated budget should follow government guidelines.

Funding disparities between the provinces, urban/rural areas, levels of education

In principle, government policy is to spread investment to all levels of education around the country, without differentiating between rich or poor provinces, rural or urban, general or vocational education and higher education. Investment is dependent on the condition and strength of the Central budget and Provincial budget, which are limited, as expressed in the Government Investment Plan for the fiscal year 1999-2000, in the education sector, which received the investment budget of 5.5 per cent (87.27 billion kips, including 19.80 billion kips for local investment and 67.47 billion kips for foreign investment); 19.55 per cent for investment in the sociocultural area (308.03 billion kips) for the government sectors. For the 5.5 per cent of investment in the education sector, 3.37 per cent (53.02 billion kips) is managed at the central level (Ministry of Education) and 2.18 per cent (34.25 billion kips) at the provincial level. On the basis of a decentralizing principle, the allocation budget has been passed to the provinces and districts in order to increase their sense of responsibility for their own income. Thus, the budget allocation for the education sub-sectors in each province is dependent on the priority in the area and sub-sectors of the investment budget. *Table 6* indicates the percentage of budget investment for education sectors in various provinces. The investment situation has influenced school construction. These differences are not dependent on whether the province is rich or poor, but on the policy and priorities of the provinces.

Table 6. Differences in budget investment (capital expenditure) between central and province; province to province levels (billion kips)

Items	Grand total of Education investment budget	Percentage of Government investment budget
	87.27	5.5
	Grand total of Provincial education investment Budget	Percentage of Education investment budget
	34.25 billions	2.18
<i>North provinces</i>		Percentage of Provincial investment budget
1. Phongsaly	0.19	0.59
2. Luangnamtha	2.12	18.27
3. Oudomxay	0.52	1.31
4. Bokeo	2.63	4.09
5. Luangprabang	3.36	18.65
6. Xaiyaboury	0.18	7.78
7. Houaphanh	2.44	4.36
<i>Central provinces</i>		
8. Vientiane municipality	5.08	6.06
9. Xiengkhouang	2.05	7.76
10. Vientiane province	1.77	10.50
11. Borikhamxay	1.30	10.12
12. Khammouane	0.30	1.58
13. Savannakheth	0.91	4.08
14. Special Zone	0.93	14.20
<i>South provinces</i>		
15. Saravane	4.11	19.11
16. Champassack	1.88	12.17
17. Sekong	3.56	25.34
18. Attapeu	0.36	5.41

Table 6 demonstrates that there is a wide variation in the distribution of educational investment between provinces. It is observed that there is no common policy and target for each province concerning educational investment. Depending on the priorities of the specific province, the provincial Governor and the provincial planning service allocate the investment budget to different services in their province. This method has led to wide disparities between provinces with regard to development of education infrastructure.

Part of the government budget managed at the central level of the Ministry of Education was invested in an Education Development Project (EDP) and Education Quality Improvement Project (EQIP) from 1993-94 up until 1998-99, and in the fiscal year 1999-2000 the MOE assigned to the National University of Lao, the Basic Education Girls Project (General Education).

The Investment Plan for the Post-Secondary Education Rationalization Project and the Basic Education for Girls Project, funded by ADB, is set out in *Table 7*, which indicates the differences of the investment for each school category.

Table 7. Differences in budget investment at each institution category for FY 1999-2000 (million kips)

Items	Total of MOE budget	Percentage of total Government investment budget
	53,012.43	3.37
	Investment at each sector	Percentage of MOE investment budget
Programme of General education	6,394.30	12.06
Programme of Teacher training	485.54	0.91
Programme of Vocational and University education	15,311.43	28.90
MOE	210.00	0.40
	29,663.16	55.95
Local contribution	93.73	0.17
Construction of lower-secondary schools	854.27	1.61

Table 7 demonstrates that the distribution of the investment budget between each education sector varies from 0.91 per cent (programme of teacher training) to 28.90 per cent (programme of vocational and university education). General education, which is compulsory and nationwide, receives 12.06 per cent of the MOE's investment budget. It should be noted that, with financial constraints, the investment for general and university education includes both internal and external funds. Generally, the investment budget is not able to respond to the needs of each education sector, especially in the case of the general education sector. Accordingly, families and communities are sources of help for the primary schools. Primary school management relies on local support for all of its teaching supplies. It is suggested that the government should allocate more investment to the education sector to develop goals and priorities for the forthcoming programmes.

III. TEACHING STAFF PLANNING

Introduction

In the past decade, progress has been made in the provision of schooling in Lao PDR, in terms of both improved access and enhanced quality. The improvements have included the provision of new schools and refurbishment of others, curriculum development with accompanying student textbooks and teachers' guides, rationalization and enhanced quality in pre-service teacher training, enhanced planning and management including educational management information systems, and the implementation of several strategies to support teachers in their professional work in schools. These improvements have resulted from five specific programmes and projects planned and implemented by the Ministry of Education (MOE), with interventions of major ADB and World Bank loans, supplemented by contributions from donor countries and other agencies, including UNDP-UNESCO-UNICEF and a range of other NGOs.

In spite of the progress to date evident in broad educational indicators and even in general observations, much remains to be done. A crucial ingredient in improvements in formal schooling is the quality of the teaching force. In Lao PDR, the problem of teacher quality had to be addressed on several fronts at once: a high proportion of teachers did not have formal training or lacked the minimum qualifications specified; all teachers had to be oriented to the new curriculum with accompanying materials and teaching methods being introduced; and new teacher training curricula had to be introduced into pre-service programmes in the teacher training colleges (TTCs). Although the overall responsibility for educational provision (including policy development, planning, co-ordination and

quality assurance) rests with the central MOE, the delivery and day-to-day management resides with the 18 Provincial Education Services (PESs) and 141 District Education Bureaux (DEBs). For primary education, there are approximately 8,000 villages where the Village Head, the parents association committee and the school principal have responsibility for the operation and maintenance of schools. Over half of the country's primary schools do not offer the full five years of primary education (called incomplete schools) and in remote areas in particular, enrolments in each grade level are often low, requiring a teacher to use methods of multigrade teaching. MOE statistics for 1998 show that, on a provincial basis, the percentages of primary schools which are incomplete range from a high 87 per cent in Phongsaly to 23 per cent in Vientiane Municipality.

Often these schools cater to children of ethnic minorities for whom Lao is not their first language, nor the language of their home. In addition to issues of national unity, given the extent of language diversity and paucity of materials and trained teachers, the present policy necessarily requires the use of Lao as the language of instruction from Grade 1. Other issues relate to the low participation of girls and to the need in remote areas to apply the curriculum in ways that assist subsequent meaningful work and income generation in the local village. It follows that teachers in such schools have needs far different from their colleagues in the larger cities and towns. Hence any programme of professional support for teachers needs to take account of this diversity in teachers' needs.

Professional support for teachers

The Education Quality Improvement Project (EQIP) was initially planned to occur at an earlier stage when various forms of professional support for teachers were being implemented. The study could make use of related evaluation studies and other reports

prepared in the interim period; and it could also provide input to preparations for the second Education Quality Improvement Project (EQIP II) which is intended to include a component of in-service teacher training. The focus of EQIP I, 1992-1998, was on primary and lower-secondary education, principally with support for the development and strengthening of the system of teacher education, when the production and distribution of textbooks and instructional materials was located within the Education Development Project (EDP). The major forms of professional support for teachers were:

- the Teacher Upgrading Programme and the work of the Network Teachers' Upgrading Centres (NTUCs), co-ordinated through the Teacher Training Department (TTD) and supported by UNICEF and other partners;
- the Pedagogical Support System (PSS) and the work of Pedagogical Advisers (PAs) in both primary and lower-secondary schools, initiated through the World Bank-financed Education Development Project (EDP) and co-ordinated by the Department of General Education (DGE); and
- School Cluster arrangements for primary schools, some trialled as early as 1989, some expanded by the Department of General Education (DGE) as part of the EDP, but most developed by the MOE/UNICEF as part of the Basic Education Project.

So far, the various programmes for teachers' professional support have tended to develop fairly independently, often funded under different programmes and managed or co-ordinated through different departments. The present study also investigated the materials development and teacher training curriculum support offered through the Teachers' Development Centre (TDC) for staff and students of the TTCs. Interestingly, the TTCs do not currently have a leadership role in in-service teacher training (although their staff participate in activities) as might be expected in most countries. In

the context of Lao PDR, the relationship between pre-service and in-service teacher training warrants further exploration, since the TTCs have been rationalized and upgraded under EQIP I and should have the potential for a direct and leading role in supporting teachers. Such a role would also satisfy recommendations from previous reports that staff of TTCs need more direct experience in schools. In policy terms, what is needed is a co-ordinated approach to teacher support but one that, nevertheless, takes account of the great diversity in teachers' needs.

The professional needs of teaching staff

Defining standards for qualified teachers

It is not unusual to describe teachers' qualifications in terms of their years of training, such as 5+3, 8+3, 11+1, 11+3 and so on. However, it makes more sense to define the 'standards' for good teachers based on their ability to know and understand, and how they behave in the classroom. The curricula that students undertake in pre-service training give some indication of what is expected of excellent teachers. However, several describe the qualities of good teachers in a few key categories. Although there is no universal excellent teacher, from the literature, we can identify some common patterns. For present purposes, based on literature, the following is a summary of the skills of knowledge, understanding, and attitudes expected of teachers.

Defining minimum standards

Having suggested five categories to describe the knowledge, skills and behaviour required of teachers, the next step is to identify the minimum level required of people to be fully accredited as teachers - what is expected of the recent graduates of the TTCs? In some dimensions, the profile will be different for teachers at different levels of the education system. Hence one expects lower-secondary

teachers to have more knowledge of their teaching areas than one expects of primary teachers. For each level in the diagram, we could describe in words what it means to be qualified at this level. We should also be able to say that students who complete successfully certain courses should be qualified at that level. To ensure good quality for our teachers, some agency or group should be appointed to set the minimum standards. This is, in the case of Lao PDR, the responsibility of the National Teacher Education Advisory Board (NTEAB), which gives advice to the Minister. The Board, in turn, would receive advice from the Teacher Training Department of the MOE, which acts as its secretariat. With regard to the Education Quality Improvement Project (EQIP I), much has been done to improve the quality of pre-service teacher training. With the assistance of the TDC, TTC curricula have been revised, textbooks for TTC students and teachers' guides have been produced, and some in-service courses in using these new materials have been conducted for TTC staff.

In-service teacher training for unqualified teachers

Because of the problem of supply of teachers to remote or difficult areas in Lao PDR, the MOE will continue to recruit local teachers in these locations, and many will be unqualified. The first need for all teachers is to have an opportunity to meet the minimum standards required to teach at the level of schooling where the teacher works (e.g. primary, lower secondary etc.). For teachers not fully qualified, or qualified at a previously lower standard, the MOE has a responsibility to offer extra training so these teachers can reach the standard set. However, for in-service training, there have been many projects and agencies offering courses, workshops and school-level follow-up activities. The diversity stems partly from the diverse needs that teachers have in Lao PDR, and partly from funding sources that tend to create new projects, with different lead agencies. As noted above, the best form of support for teachers is support at the school level, which takes into account local conditions and local problems.

If there was an overall framework for professional support of teachers, and a common scheme for describing teachers' qualifications (a teacher profile), it would be possible to better co-ordinate different forms of support, share materials and strategies in different projects, and accredit the skills that teachers acquire within the same system of awards.

Additional qualifications

Teachers also need an opportunity to go beyond their minimum level of training, to learn about new developments, to extend their knowledge and understanding of their role as teachers, and to gain additional qualifications. Some teachers may progress through their own experience and their own reading, but others will be motivated to seek credit for extra courses or to get awards beyond their basic qualifications. When teachers learn from experience or with further training (e.g. in in-service workshops or other courses), their achievements should be recognized so their *profile* can increase in the relevant categories. As noted above for pre-service programmes, it will be easier to accredit in-service courses if they are devised in 'modules' (as often occurs now) with specified 'levels' and 'workload' value. However, if teachers are given formal credit (a certificate or an award) for extra training, an overall policy and a framework for recording each teacher's progress will be required. The policy needs to ensure the certificate is valued, that it will assist in future promotion, or increments in salary, or in giving access to higher-level courses, or in applying for scholarships. Where different forms of teacher support and training are available, the credit given needs to fit into a common scheme, even if the teachers take different kinds of training based on local needs.

The programmes designed to meet teachers' professional needs

In-service training of all teachers is a high priority for the country wishing to maintain development, and combat economic pressures

accompanying globalization. More fundamental in Lao PDR to this point in time has been the need to provide training for unqualified teachers, and those with lower qualifications than the ones now offered in TTCs. As noted in 3.3, the MOE will be obliged to continue to employ unqualified people as teachers in difficult-to-staff locations, and hence their training while employed as teachers will continue to be an urgent need.

Teachers not formally qualified

Consider first the numbers of teachers without any formal qualifications. A traditional way of expressing teachers' qualifications has been in terms of the number of years undertaken and such a system has been widely used by employers of teachers, or accrediting agencies who certify that eligible teachers have reached the required minimum standard. This is the situation in Lao PDR as summarized in *Table 8*.

Table 8. Criteria for designating teachers as formally qualified

Level of schooling	Qualifications (years)	Years when this criteria applied
Pre-school	5 + 2	Offered up to 1991/92
	8 + 2	Offered up to 1991/92
	8 + 3	Offered up to 1997/98
	11 + 1	Offered from 1998/99
Primary	5 + 2	Not offered after 1991/92
	5 + 3	Not offered after 1995/96
	7 + 2	Not offered after 1991/92
	8 + 1	Not offered after 1991/92
	8 + 3	Most common from 1991/92 to present
	11 + 1	Offered since 1991/92 and now 45% of TTC enrolments
Lower-secondary school	8 + 3	56% of TTC students in 1991/92 falling to 21% in 1998/99
	11 + 3	44% of TTC students in 1991/92 climbed to 79% in 1998/99
Upper-secondary school	11 + 4	Offered up to 1995/96
	11 + 5	Offered from 1996/97

Using the criteria from *Table 8*, it shows the total number of teachers at the four levels of schooling and the number formally 'qualified' (completed some formal training programme) as at the end of the 1997/98 school year. It is evident from this that by far the greatest need for training for unqualified teachers is at the primary level, both in terms of the percentage unqualified (23 per cent) and the number still to be trained (6,186). Thus the training of unqualified teachers remains a major priority for forms of teacher support.

Teachers who qualified previously at a lower standard

As shown in *Table 9*, training programmes at a standard below 8+3 are no longer offered for teachers at any level of the system. Hence a second and continuing priority for in-service training is to offer additional training to teachers whose qualifications are below the equivalent of 8+3 years. MOE (1998) statistics show that in 1996/97, 54 per cent of formally trained staff in primary schools in fact had qualifications below the 8+3 level. As shown in *Table 9*, there are wide variations across provinces in terms of the percentages of trained teachers with qualifications at the 8+3 equivalent or above, ranging from a high of 70 per cent in Vientiane Municipality to a low of 12 per cent in Bokeo.

Table 9. Distribution by province of trained teachers with 8+3 qualifications

Province	Percentage of trained teachers with 8+3 or better qualifications (1996/97 data)	
	Total (%)	Females (%)
Vientiane Municipality	70	72
Phongsaly	24	26
Luangnamtha	37	43
Oudomxay	29	38
Bokeo	12	17

Luangprabang	20	21
Houaphanh	36	48
Xiengkhouang	39	45
Sayaboury	44	44
Vientiane	53	54
Borikhamxay	42	41
Khammouane	55	65
Savannakheth	54	58
Saravane	43	47
Sekong	24	29
Champassack	47	54
Attapeu	38	38
Saysomboune	48	45
Total	46	52

Although the data above are from statistics of several years ago, they indicate that about half of the approximately 80 per cent of trained primary teachers have lower levels of training than 8+3, and hence the magnitude of this problem is even greater than the problem of untrained teachers. However, the needs of these teachers may be rather different from those of untrained teachers.

Orienting teachers to curriculum change

A third area where teacher support is needed is in introducing all teachers, whether previously trained or not, to new curricula and teaching methods. Through the Education Development Project (EDP) funded under IDA Credit No. 2488 by the World Bank, with assistance from the Governments of Switzerland and Norway, new curricula were introduced at primary and lower-secondary levels in a systematic way through the 1990s. The new curricula reduced the large number of subjects previously taught by integrating areas of study and they also emphasized new methods of teaching with pupils as active

learners. Accompanying the new curricula, pupil textbooks and teacher guides were also developed. Hence the introduction of the new curricula meant there was an urgent need to provide teachers with an orientation to the new materials and the new forms of pedagogy.

In-service training to meet the needs

Several forms of in-service training have been introduced to meet the above needs according to the ADB Education Sector Development Plan of 1999. To some extent, this separation of programmes from problems is also a function of funding sources and the need to share the administrative workload within the MOE. The Teacher Upgrading Programme, operated through a network of 18 Network Teacher Upgrading Centres (NTUCs), aims to provide upgrading for unqualified and under-qualified teachers. The programme is described in the leaflet and its strengths and weaknesses are explored. The programme has been managed by the Teacher Training Department in close collaboration with UNICEF and with additional support from other NGOs.

The TDC and the TTCs in in-service teacher training

Under EQIP sponsored by ADB, the TDC has been centrally involved in developing new curricula for pre-service teacher training, the development of TTC teachers' guides and their students' textbooks, and the provision of in-service training for staff of the TTCs. TDC and TTC staff have also participated in the training of trainers for several of the programmes. Several of the programmes have also included in-service training for school principals, as well as for managers at the provincial and district levels, while noting the importance of a close relationship between in-service programmes for teachers and those for managers at school, district and provincial level.

The Teacher Upgrading Programme

Description of the Programme

Progress has been made in recent years through a Teacher Upgrading Programme (TUP) which teachers without formal qualifications attend either full time or through vacation courses, as well as through direct application of their learning while teaching over a two-and-a-half-year period. 'Formal qualifications' here, means having attended a TTC course, although in recent years the upgrading programme has also been offered to teachers with qualifications below the standard now applied in TTCs. Initially, the TUP required 24 weeks of full-time attendance, but this has now been reduced to 22 weeks: six weeks in the long vacations and two weeks in the shorter vacations, over two years. For teachers with some secondary-level education, the period is further reduced to 15 weeks.

Each province has a Network Teacher Upgrading Centre (NTUC) to support the programme. The vacation courses may be held at the NTUC or at some other convenient location. NTUCs are sometimes located near the Provincial Education Service (PES) office, but some have occupied previously used premises and some teachers' colleges when the colleges were closed. The NTUC houses basic equipment and the offices of the programme's 'trainers'. Each province has six to eight trainers, selected according to specified criteria, by a Committee at the provincial level including PES officers, District Education Bureau (DEB) representatives, and other trainers. Training of the TUP trainers occurs in Vientiane over the same length of time expected of teachers in the Upgrading Programme.

The modular curriculum for the TUP is provided by the TTD and includes 'foundation studies', 'applied curriculum studies', and 'advanced studies'. In addition, some 'supplementary modules' are offered in topics of relevance to certain locations (e.g. multigrade

teaching) or of interest to trainees (e.g. school and the community measurement and evaluation). Participants undergo a final examination, also by TTD, but based on suggested questions submitted by the provincial trainers. The 'mobile' trainers, using motor bikes, visit the teachers participating in the programme at their schools during term-time to offer assistance, supervision and monitoring in the application of theory in the school context. The TUP has been operating since 1992 and focuses on up to four districts at a time. At any point in time, since the programme extends over two years, there are teachers in the first and second years of the programme. The TUP has been supported financially and in other ways by UNICEF (in 11 provinces commencing in 1992), as well as by CWS (in two provinces since 1993), CRS (one province, commencing 1994), SCF/UK (one province, since 1994), Redd Barna (two provinces, since 1998), and CWS and Redd Barna together in one province. The programme uses materials specially developed by UNICEF and allied to the new curriculum.

Achievements to date

At the end of the 1998/99 school year, the programme had been completed in 37 districts (26 per cent), was under implementation in 45 districts (32 per cent), and still had to be commenced in the remaining 59 districts (42 per cent). At this time, it was reported that 3,225 teachers, 1,126 (38 per cent) being female, had completed the Upgrading Programme. There has been a decline in the percentage of teachers not formally qualified in primary schools over the last eight years. The figures also show the trend for female teachers and, although the percentages are lower, it should be noted that, unlike most countries where females dominate the primary-teaching workforce, in Lao PDR there are fewer female teachers than male. The percentage of female teachers in 1991/92 was 40.9 per cent and in 1998/99 it was still only 41.8 per cent. Presumably this low

participation by women in a profession which in most countries is highly attractive to women, reflects the disadvantage suffered by girls through their low participation in schooling from an early age. In Lao PDR, the most urgent need has been to upgrade the qualifications of primary teachers. Although good progress has been made in the past decade, almost 20 per cent of these teachers still require formal qualifications and many more require upgrading, having obtained lower-level qualifications in the past. Teachers who completed the programme were given a certificate (although this had not occurred in all cases) and were eligible for a salary increment when their new 'equivalent' status was recorded. Although the TUP has now been completed by 3,225 teachers in 37 districts, because of its district-by-district approach, newly appointed unqualified teachers to districts where the programme has been completed do not have the opportunity to participate.

The pedagogical support system

Description of the Programme

The Pedagogical Support System (PSS) essentially comprises a network of Pedagogical Advisers (PAs) appointed to assist all teachers, particularly in their use of the new curriculum, but also to provide general, sustained pedagogical support. For primary schools, three PAs were appointed for each district (there were 135 districts in 1995 when the training of PAs started, but 141 districts by 1999) under the World Bank-sponsored Education Development Project (EDP). Also under the EDP, with support from the Swiss Government, technical assistance (TA) has been provided through ZBS to facilitate the work of the PSS in primary schools. At the lower-secondary level, a network of PAs is also provided but in this case, they operate from the provincial level. The PSS is administered by the Department of General Education (DGE) and the position of PA is now well

established in the staffing structure. At the central level, under the Primary Education Section of the DGE, a Pedagogical Support Unit has been set up to define policies in operational terms, provide advice, collect data and maintain records for monitoring purposes. As part of monitoring the initiatives in basic education, an annual MOE/UNICEF workshop is held at which achievements and problems are reported. Given the size of the commitment, the PSS is clearly a central feature of the national teacher support system, although a further review of the PSS and Cluster Schools is planned for February 2000. To service 50 districts targeted under Component II of the ADB-sponsored Basic Education (Girls) Project, an additional 50 PAs have recently been appointed with responsibilities particularly focused on ethnic minorities and girls in particular. As noted, this component is now funded under a grant from the Australian Government.

Achievements to date

The training of 405 PAs for primary schools commenced in 1995 and the initial training was completed by mid-1997. The training was undertaken in two steps: first, the training of trainers, and then the training of PAs. In the first step, 40 PA-trainers drawn from all provinces undertook an initial 6 weeks theory training, followed by 12 weeks of field experience in their home provinces, and then a formal 2 weeks of feedback and consolidation. The training of the district-level PAs was then provided by the trainers, again in three segments: first, a period of 6 weeks training delivered in 5 regional training centres; then a period of 21 weeks of field practice undertaken in the home districts of PAs; and finally, a further 2 weeks of feedback and consolidation. At this time, 401 appointees from 135 districts had passed the examination in time to take up their full functions in school year 1997-1998. Since that time, some further training has been provided for new recruits to replace PAs as needed in some districts and to service the growth in districts from 135 to 141. The financial commitment to the PSS is considerable. At full

strength, the workforce appointed as PAs for primary schools approaches 2 per cent of the number of teachers. Although funded initially under project budgets, the continuing cost of this form of teacher support, including salaries, the cost of operation and maintenance of motor cycles, and the cost of associated management and monitoring activities, needs to be weighed against the benefits of this form of teacher support. Hence careful evaluation of the PSS is necessary for future planning and policy.

Relationship between pre-service and in-service training

The role of the TDC

The Teacher Development Centre (TDC) was established in 1992 under the ADB-financed Education Quality Improvement Project (EQIP). As described in the evaluation report of EQIP, the TDC was set up with the main task of developing curriculum, textbooks, instructional materials for TTCs of 8+3 and 11+3 systems, as well as to organize short-term training for teachers and educational administrators from various levels. Under the project, new, fully equipped buildings were constructed for TDC on the Dong Dok campus of the NUOL. From a staff of five persons in 1992, TDC now has a professional staff of 21 persons organized into five units, as well as an establishment of six support staff. The TDC currently has responsibility to two organizations, the National University of Lao (NUOL) and the Teacher Training Department (TTD) of the MOE, although a strongly held view is that it should be part of the Faculty of Education at the NUOL. The situation can be explained historically since the institution on the Dong Dok campus of the NUOL was formerly the principal teacher training institution (Institute of Pedagogy) under the TTD. The dual responsibility also reflects current functioning since, on the one hand the TDC works closely with the Faculty of Education in the NUOL, sharing facilities and some tasks,

but it also prepares curriculum, textbooks and materials for the regional TTCs which are administered through the TM.

Achievements of the TDC

Under EQIP, the TDC accomplished a great deal. Interestingly, this process of identifying the qualities of good teachers is similar to the proposal in RI of the current report to develop the contents for a teacher profile setting out the characteristics and behaviours of good teachers, rather than describing teachers' qualifications in terms of their years of training. The TDC developed teacher-training curricula for primary (8+3, 1 1 +1) and lower secondary (11+3) pre-service programmes. The process of curriculum development involved initial staff development (including training for 99 people from TDC and TTCs in Thailand), workshops on curriculum design involving wide participation of TTC staff, revision workshops with 120 academics, and finally the preparation of textbooks and teachers' guides which secured the recommendation of the National Teacher Education Advisory Board (NTEAB) before adoption by the MOE. The curricula are based on broad areas of study, divided into sub-units, and allocated equivalent class hours and credit points. A summary is provided in general, the system of counting 'credits' allows a modular approach consistent with the proposals in the present report for a modular approach to gaining credit for work completed in in-service programmes. For the pre-service programmes, 37 credits are required in the one-year programme and 110 credits in the three-year programmes.

Finally, given the experience of the TDC in materials design and development, it is logical that the TDC should also have a role in further development of materials for use in in-service programmes for teachers. It was also suggested that staff be appointed and trained to undertake both instructional design and technical design of teaching materials, using the ideas of teachers.

Current status of the TTCs

In conjunction with the ADB-financed Education Quality Improvement Project (EQIP I), considerable advances were made in the rationalization and efficiency of pre-service teacher training. Whereas in the late 1980s, teacher training was provided in 59 small training schools with varied curricula, few facilities and generally low quality, by 1998, there were just 10 Teacher Training Colleges (TTCs), as well as the Faculty of Education at the National University of Lao (NUOL). Under EQIP, eight of the TTCs (the remaining two are the specialist colleges for teachers of art and physical education respectively) as well as the TDC had their buildings and other physical facilities brought to a very good standard. The upgraded colleges and their programmes are shown in Table 10 below:

Table 10. Teacher training colleges upgraded under EQIP I and their programmes

No.	Name of colleges	Pre-school teachers	Primary teachers	Primary teachers	Lower secondary
		11+1	8+3	1+1	11+3
1	DongKhamXang	X		X	
2	LuangNamTha		X	X	
3	Saravane		X	X	
4	BanKeune			X	X
5	LuangPrabang		X	X	X
6	KhangKhay		X	X	X
7	Savannakhet			X	X
8	ChamPassack			X	X

Students in the TTCs (and also in the NUOL) are admitted either under a quota system or through competitive examination. In the TTCs, about half of the places are reserved for quota students, who are selected by the Provincial Education Service giving regard to the likely demand for teachers in the province based on projections of

enrolments and resignation/retirement rates of current teachers. Examination scores (Grade 8 or 11) as well as school recommendations are taken into account in selecting quota students. The remaining students are admitted through a competitive entrance examination set by the TTD and TTCs. After the rationalization of teacher training institutions, entrants to teacher training dropped markedly, presumably because of difficulty of access. Each TTC now draws students from three or four provinces. With the provision of enhanced dormitory facilities, attempts to increase enrolments of women and ethnic minorities, and possibly favourable perceptions of teaching as a career, enrolments have now increased again. Figure 8.1 shows the total TTC student enrolment for the years 1992/93 to 1998/99 as well as projections for the following three years based on estimated needs.

Future role for TTCs in in-service training

The TTCs should have a much greater role in in-service training and, in particular, in upgrading programmes for teachers not fully qualified. The situation has developed in Lao PDR where this is not the case. There is a legitimate doubt about the capacity of TTC staff at this stage to provide this kind of leadership. However, given the progress made in rationalizing teacher training and the huge investment in physical facilities at TTCS, there is now an urgency to upgrade staff quality so that TTCs can provide leadership in in-service as well as pre-service training.

Future role for the Faculty of Education at NUOL

The major responsibility of the Faculty of Education at the NUOL has been the training of upper-secondary teachers. Currently, following two years of general academic study for all students, the university offers professional training in a number of fields. For upper-secondary teaching, the programme covers three years, effectively making upper-secondary teacher education an 11+5

programme. Although NUOL staff are frequently involved in train-the-trainer programmes and other initiatives, their expertise tends to be defined by their status as trainers of upper-secondary teachers. If they had a postgraduate focus, education staff could specialize in different or several levels of education. They could develop skills in educational policy, management studies, and educational innovation and leadership. They could research quite generic areas such as language development, student assessment, teaching and learning, action research, distance education, new technology, and multigrade teaching, just a few in a Lao context.

In-service training of teachers has been identified by several recent reports (including the ADB's, Education Sector Development Plan (ESDP) and the Project Benefit Monitoring and Evaluation Report of EQIP) as a high priority in the next stage of educational development in Lao PDR. Hence, in the various forms of teacher support the need should be considered for overall co-ordination of the various efforts, while preserving an equitable distribution of the work across participating departments and agencies.

Structure and functions of the NTEAB

The National Teacher Education Advisory Board (NTEAB) was established in 1992 by Ministerial Decree to provide advice to the Minister for Education on policies and priorities for teacher education. The Board also recommends to the Minister the adoption of official curricula for teacher training and the certification of teachers who have met requirements. The membership of the NTEAB includes a Vice-Minister as President, and 18 other members drawn from all key government agencies with a stake in teacher education. The Teacher Training Department acts as secretariat to the NTEAB and, hence, prepares agendas and proposals for meetings, and maintains minutes. The NTEAB also has a key role in considering new project proposals and in recommending on their priorities. The

present report was considered at a full-day meeting on 14 December 1999 and changes made based on feedback from Board members.

A second reason for having an overall plan is to ensure that required standards are met. To provide quality assurance, the group with responsibility for co-ordination needs to ensure that adequate resources, including curricula, materials and training of trainers are available at all training locations. Then there needs to be adequate reporting and monitoring of outcomes so the co-ordinating agency has evidence of successful programme implementation. Work has already been done by UNICEF, in conjunction with the MOE, in setting all review and reporting mechanisms. With regard to 'qualities of good teachers' it is not unusual to describe teachers' qualifications, as happens in Lao PDR, in terms of their years of training, such as 5+3, 8+3, 11+1, 11+3, and so on. However, it makes more sense to define the 'standards' for good teachers in terms of what they know and understand, and how they behave in the classroom, school and community. Of course, we could analyze the courses teachers undertake and this would give some indication of what we expect of excellent teachers.

Indicators of project achievements

Teachers and student enrolment

Ministry of Education policy encourages good students to enrol at TTCs, as well as female students and students from minority groups. At the same time, the MOE plans to increase the ratio of enrolment of non-quota students and to reduce gradually the number of quota students. Provinces have been directed to select 50 per cent female students for enrolment and to accept more qualified quota students especially from remote areas. The tables below show the positive effect of the implementation of this policy.

Table 11. Enrolment of quota students

Academic year	System 11+3			8+3 and 11+1 system			
	Enrolment plan	Actual enrolment	Percentage Actual/Plan	Enrolment plan	Actual enrolment	Percentage Actual/Plan	Percentage Total Actual/Plan
1993-94	482	429	89.0	700	645	92.1	90.9
1994-95	516	467	90.5	560	467	83.4	86.8
1995-96	309	275	89.0	440	372	84.6	86.4
1996-97	370	387	104.6	845	734	86.9	92.3
1997-98	540	609	112.8	1,290	1,279	99.2	103.2
Total	2,217	2,167	97.7	3,835	3,497	91.2	93.6

Table 12. Enrolment of non-quota students

Academic year	System 11+3			8+3 and 11+1 system			
	Enrolment plan	Actual enrolment	Percentage Actual/Plan	Enrolment plan	Actual enrolment	Percentage Actual/Plan	Percentage Total Actual/Plan
1993-94	...	...	...	...	...	...	...
1994-95	...	...	...	145	...	...	...
1995-96	90	78	86.7	140	...	...	33.9
1996-97	76	102	134.2	400	275	68.8	79.2
1997-98	164	236	143.9	175	204	116.6	129.8
Total	330	416	126.1	860	479	55.7	75.2

It is believed that the MOE's policy direction and its implementing plan have been effective since 1993-1994 due to the increasing number of students completing lower and upper-secondary schools. Records of completion of out-plan students are available and show the following completion rates from academic year 1995-96:

Academic year	Percentage completing the course	Remarks
1995-96	79.1	
1996-97	80.2	
1997-98	129.8	

Enrolment of women

There is no complete record on enrolment of students from ethnic minorities. *Table 13* shows a very incomplete summary of enrolment of female students and students from ethnic minorities from 1992-93 to 1997-98. It shows a stable ratio of female enrolment of 45 per cent over three years - 1995-96 to 1997-98. Enrolment of ethnic minorities was drastically reduced from 25 per cent in 1993-94 to 12 per cent in 1994-95. It is believed that this was due to the closure of many of the TTCs (27 TTCs were closed from 1992-93, leaving only 8 TTCs of 8+3, 1 1+1 and 1 1+3 systems, in operation). *Table 13* summarizes over the period 1992-93 to 1997-98, the number of TTCs, student enrolment and completion, teacher number and student-to-teacher ratios. The Ministry of Education did not recruit new teachers for academic year 1993-94 and its effect in terms of a big drop in student completion is seen in 1996/97. The MOE has since then increased enrolment of students and recruitment of teachers.

Table 13. Enrolment of women and students from ethnic minorities

Academic year		System 11+3		8+3 and 11+1 system			
		Students	Teachers	Students/Teacher	Students	Teachers	Students/Teacher
1992-93	Total	1,770	440	4:1	3,872	547	7:1
	Female						
1993-94	Total	1,303	394	3:1	4,880	543	9:1
	Female						
1994-95	Total	1,381	324	4:1	2,944	277	11:1
	Female						
1995-96	Total	1,157	287	4:1	1,564	294	5:1
	Female	419			824		
1996-97	Total	1,086	241	5:1	1,172	132	9:1
	Female	397			628		
1997-98	Total	1,261	229	6:1	1,882	161	12:1
	Female	470	83		931	43	

Drop-out rates

The ratio of students dropping out of courses at the TTCs for 8+3; 1 1+1 programme and 11+3 programme are low (0 per cent and 15.38 per cent). The ratio of drop outs in 1994-95 is higher than for other academic years because no new teachers were employed in 1993-94. The ratio became low again in 1996-97, at 0 per cent and 1.82 per cent. The drop-out rates are summarized in *Table 14*.

Table 14. Drop-out rates for TTCs

	System	Academic year					
		1992-93 %	1993-94 %	1994-95 %	1995-96 %	1996-97 %	1997-98 %
Drop-out rates	11+3	1.9	0.9	2.4	1.7	1.3	
	11+1	1.0	1.4	32.1	9.1	1.8	
	8+3	0.0	15.3	0.0	4.5	0.0	

Course completion

Since the implementation of the new curriculum for the 8+3 system has not been completed during the life of the project, it is not possible to evaluate the course completions under the new curriculum at present. Available information on the course completion rates using the old curriculum for the 8+3 and 1 1+3 system, however, showed marked improvements for the use of the new curriculum of 11+1 since its implementation in 1994-95. The rate of completion improved from 40-65 per cent under the old curriculum, to 88 to 99 per cent under the new curriculum.

Graduate employment

The employment of TTC graduates over the period 1992 to 1998 is summarized in *Table 15*.

Table 15. Employment of TTC graduates

	Academic year					
	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Graduate employment to the education sector		577	1,000	2,118	2,140	
Number of employees as teachers (95%)		848	950	2,012	2,033	
Number employed in administration (5%)		29	50	106	107	

At the end of academic year 1993-94, no recruitment of educational staff was made by the government as it was then undertaking a study on public-sector employment, based on the national economic situation. Educational staff recruitment resumed in 1994-95, although employment in that year was only 25 per cent of the total number of new teachers, who remained unemployed as teachers for two academic years (1995/96 and 1996/97). The employment of new teacher graduates was undertaken in 1996/97 in major provinces, which showed that 100 per cent of new teachers were not employed. Some new teachers were recruited on probation of one year before full employment. By the end of the project in December 1998, the rate of recruitment and employment of new TTC graduates was increasing, but remained inadequate due to the high rate of teacher retirements (25 per cent).

Employment of graduate teachers from the TTCs depends on the capacity of the MOE and the education system to hire them. There is a cumulative deficit in the number of teachers required to teach in primary and lower-secondary schools based on student population. The MOE's recruitment programme is increasing, and reducing the deficit. Employment, however, is limited to the MOE's annual recruitment quota. Teacher demand in the case of Lao PDR at this time appears to be the better indicator of TTC graduate employability (Table 16).

Table 16. Some statistics on graduates, employment and teacher demand

	Academic year				
Number of TTC graduates	1,867	1,924	1,590	944	1,029
MOE teacher recruitment	0	577	1,000	2,118	2,140
Teacher attrition		58	659	532	
Net number of additional teachers		519	341	1,586	
Additional teachers required per student number		2,017	1,823	1,523	1,372
Cumulative unrecruited graduate teachers	1,867	3,214	3,804	2,630	1,219

Conclusions and recommendations

The objective of the project is to assist the government improve the quality of primary and lower-secondary education in the country, by helping the government address the issues of teacher education and instructional materials development. After an agreement between the MOE, the ADB and the World Bank, the project focused on the improvement and strengthening of teacher education. The project will strengthen staff of the Ministry of Education, address the shortage of managerial expertise throughout the education system, establish a system of in-service training for teacher educators and strengthen the curricula of teacher training colleges. The project began in March 1992 but completion was held up from December 1997 to December 1998 due to lengthy delays in the start-up of the civil works component. It is considered that with the completion of the project, and the accomplishment of the expected outputs, the country is well on its way to achieving the objective of improving the quality of primary and lower-secondary education. Findings of the evaluation study on the teaching performances of new graduate teachers indicate an improved quality in terms of content and method. The study also showed improved quality of educational administration

from district to provincial and national levels. The establishment of the NTEAB, PCU/PIU (Project Implementation Unit) and the TDC has resulted in the development of a policy in teacher education and has established the mechanism to ensure that teacher-education improvement and development continues, thereby ensuring that a high quality of general education is achieved and maintained.

The actual enrolment in 1999-2000 in primary education of 892,681; lower-secondary education of 175,690, and estimated enrolment in upper-secondary education of about 70,000 (total: 1,138,371) exceeded the projections during appraisal by 24 per cent, 17 per cent and 8 per cent respectively (total: 22 per cent). There is a higher demand for teachers than projected. The TTCs do not have the capacity, in terms of buildings and facilities, to respond to the increased teacher requirement. The increased enrolment in primary education requires also the construction of additional classrooms and facilities, and the inclusion and strengthening of multigrade teacher training. Conditions not projected during appraisal may negate the achievement of the desired project impacts. The Asian financial crisis has impacted on the value of the local currency, and has reduced the value of teachers' salaries in real terms. Teachers' salaries are extremely low compared to other employment in the private sector requiring lower levels of educational qualifications. If a teaching career cannot provide a reasonable financial reward, teachers and would-be teachers will look elsewhere, away from the teaching profession.

The EQIP project was timely and facilitated the education reform of the government. Its focus on teacher education, initiating the process of strengthening the education system by the establishment of appropriate mechanisms, improving the teaching-learning process by providing inputs for curriculum development, necessary infrastructure and facilities, equipment, instructional materials,

training, textbooks and teachers' guides - has improved the quality of teachers and, consequently, should improve the quality of education. Project implementation of the civil works was delayed by at least three years, while project implementation of the curriculum development tasks and activities was delayed by several months. There were inadequate skills and expertise not only in project implementation, but in all the different tasks and sub-tasks of the project. However, the project was substantially committed within the project life. It can be expected therefore that the desired outputs and full impact of the project will start to materialize from the year 2000. The bank's support and assistance, and its understanding and guidance has helped the government, and more specifically the MOE, in going through the many difficult tasks and processes of implementing and refocusing the project. Inexperience, lack of expertise, unfamiliarity with bank requirements and government bureaucracy have often resulted in delays. Despite this, however, the project was successfully implemented, and in accordance with government's needs and requirement.

(a) Internal efficiency

There was a marked improvement in internal efficiency. Entry requirement to TTCs were upgraded; 27 of the teacher training schools with low standards of teacher training programmes were phased out. Only eight TTCs were maintained, for which training programmes were improved and standardized. The student/teacher ratio improved from 6:1 in 1992-93 to 8:1 in 1997-98. Enrolment of better-prepared students increased from 2,254 in 1996-97 to 3,143 in 1997-98. The number of female graduates increased from 43 per cent in 1995-96 to 49 per cent in 1996-97 and to 50 per cent in 1997-98. The quality of new teachers trained under a new curriculum, and with adequate teaching and learning facilities, has resulted in a higher quality of teachers being deployed. The establishment of the TDC and the NTEAB has resulted in the clear definition of policies for

teacher education, which has guided the development of stronger and relevant curricula, textbooks, teachers' guides and instructional materials. It also provided the mechanisms for trainer training, and quality monitoring in the TTCs.

(b) External efficiency

The present and projected number of TTC graduates needed to be deployed as teachers are insufficient based on the projected enrolments in primary and lower-secondary schools. However, the number of teachers actually recruited by the MOE is not only based on the student enrolment, but also in the government's financial capacity to pay salaries and other factors. Hence, while TTC graduates in 1993-94, 1994-95 and 1995-96 were 1,867, 1,924 and 1,590 respectively, the PAOE recruitment of teachers were 0 In 1993-94, 577 In 1994-95 and 1,000 in 1995-96. Teacher recruitment is increasing, and so is enrolment at the TTCs. In 1996-97, TTC graduates were only 944 but the MOE's teacher recruitment numbered 2,118. The difference would have come from the pool of unrecruited TTC graduates of earlier years, as well as recruitment of unqualified teachers. The desirability of the teaching programme increased enrolments at the TTCs in the last two academic years. Enrolment in 1995-96 was 2,721 (in 26 TTCs); in 1996-97 was 2,254 (in 13 TTCs) and enrolment in 1997-98 was 3,143 (in 11 TTCs). More than 78 per cent of TTC students enrolled in the programme because they like to teach. This can mean that at least 78 per cent of these enrollees will apply for teaching jobs when they graduate, if they can be accommodated by the MOE teacher recruitment plans.

(c) Cost-effectiveness

The total amount of the bank loan was fully used in accomplishing all the objectives of the project. Reallocation and realignment of project funds from category to category were requested and approved by the bank. These reallocations were necessary due to cost

escalations from civil works, resulting from long delays in start-up and the effect of the Asian financial crisis, and increased cost of furniture, equipment and vehicles. The funds reallocated to categories requiring increases were taken from surpluses in other categories due to (i) transfer from EQIP (by request of the MOE and agreement of the ADB and the World Bank) of the component on production and distribution of primary and secondary textbooks and materials and the training programmes for school principals, to the Education Development Project (IDA); (ii) savings in implementation expenses. The unallocated category was also utilized. The Norway Grant was fully used for the consulting services and additional financial requirements were put up from government budgetary provisions. While there were lengthy delays in the civil works, and delays in the completion of other project components, there was a 100 per cent utilization of the loan funds to accomplish a 100 per cent completion of all the expected project outputs. Total expenditure on 100 per cent completed civil works from the bank loan amounting to US\$9,225,000.00 was fully covered by the revised allocation. This amount, however, was about 98.70 per cent higher than the original allocation of US\$4,648,749. Delays in the civil works start-up of about three years, and the Asian financial crisis during the peak of the civil works project implementation, have resulted in much higher costs of construction. The exchange rate of the Lao currency at the time of project appraisal was US\$1 = 700 kips. In mid-1998, the exchange rate was about US\$1 = 2,500 kips. In December 1998, the exchange rate was about US\$1 = 5,000 kips. During the peak of construction in 1998, the local currency fell to 28 per cent (mid-year) and 14 per cent (in December) of its 1991 value. The increase in the civil works revised allocation of US\$4,576,251 was taken from the unallocated category and reductions in the original allocations of the other project components. The civil works component during appraisal was 39 per cent of project cost, excluding unallocated category. Actual civil works expenditure on completion in December 1998, excluding unallocated

category, was about 66 per cent. Increases in costs of vehicles and equipment, and of furniture, necessitated reallocation of about 21 per cent additional funds compared to the original allocation. The increased funds used up by the civil works, furniture, equipment and vehicles were absorbed by: the surplus resulting from reduced funds requirement for production and distribution of textbooks and instructional materials (component transferred from EQIP to IDA Education Development Project) amounting to about US\$2,550,000:

- the loan's unallocated category amounting to about US\$1,434,000;
- the savings from the consulting services component of about US\$795,000;
- saving in project implementation of about US\$307,000;
- government financing.

With the revised allocation, all the expected outputs from the project (after the transfer of a component as indicated above): civil works, vehicles and equipment, new and improved curriculum for teacher education, textbooks, teachers' guides, instructional materials, in-country and overseas training, and international specialists' advisory services were all achieved and accomplished by the end of the project in December 1998. Hence, while there was realignment and reallocation of loan funds, and while there were delays in the completion of the civil works, the funds were used up completely to accomplish the project objectives and the accomplishment is 100 per cent and satisfactory. The loan amount in SDR currency (Special Drawing Rights) was valued at US\$13.3 million in 1991 at the exchange rate of SDR = US\$1.34. The value in December 1998 was US\$13.933 million at the exchange rate of SDR = US\$1.4.

APPENDIX

LAO PDR: Background

Lao PDR is a landlocked country, bordered by Viet Nam in the east, Thailand in the west, and Cambodia in the south. Myanmar and China are on the northern border. The country covers a total land area of 236,800 square kilometers. It is mostly mountainous, causing many transport and communication problems. The population of Lao PDR, including 47 ethnic minority groups, was about 4.8 million in 1995. The people live sparsely in the rural areas at a subsistence level. Lao PDR is classified by the United Nations as one of the least developed countries, its per capita GDP was only US\$350 in 1995. Agriculture, including forestry, accounts for 60 per cent of GDP while the industrial sector and services account for 16 per cent and 24 per cent respectively. Economic growth and development are hindered by an inadequate infrastructure and a shortage of managerial and technical skills. Nevertheless, some growth has resulted from the programme of structural reform initiated in 1986, known as the New Economic Mechanism, aimed at changing the economy from a centrally planned system to a market-oriented economy. Increased public and private investment and improved economic incentives have contributed to real GDP growth rates of over 6 per cent per annum.

The specific issues of the country

Government policy

Since 1986, Lao PDR has pursued a programme of policy, structural and systematic reforms towards the transformation of its economy. The new economic mechanisms adopted aimed to:

- transform the economy from a centrally planned to an open market-based system;
- reform certain state-owned enterprises by privatization;

- ensure that the state would become less directly involved in production and trading activities;
- ensure that the state would become responsible for the delivery of basic social services;
- encourage an increasing role of the private sector in education; and
- allow foreign and local private-sector participation in the construction and operation of physical infrastructure.

Difficulties and weaknesses

Lao PDR has a small population; the quality of human resources plays a vital role. Human resources development starts from a very low base. There is a serious gap between pay rates for men and women, and between urban and rural areas. Difficulties and weaknesses in programme implementation are caused by the following:

- food production does not meet the population's requirements;
- differential in socio-economic growth between urban and rural areas;
- macro-level management of the market-oriented economy is insufficiently stable, weaknesses of co-ordination among macro- and micro-management agencies;
- low cost-effectiveness in the use of funds (internal and external);
- shortage of qualified staff in programme implementation;
- inappropriate budgetary procedures and unnecessary disbursement delay; and
- incomplete organizational changes.

Education system in Lao PDR and its organization

General education in Lao PDR is provided in five years of primary and three years each of lower- and upper-secondary education. The

system of pre-service teacher training is combined in four systems: (8+3) and (11+1) for pre-primary and primary education, (11+3) for lower secondary and (11+5) for upper secondary. The vocational-technical system includes secondary vocational schools for skilled workers, technical colleges for middle-level technicians, higher technical colleges for higher-level technicians, and at NUOL, which grants engineering degrees. Other institutions grant first-level degrees for administration and management. Pre-schooling is available for children up to five years of age, and non-formal education programmes consist mainly of literacy training and basic education equivalency courses.

The management and organization system for education has, now, become more developed, with appropriate roles and responsibilities at each level. Consequently, the roles and responsibilities of the provinces and districts have been upgraded and the education management and organization of communities, districts, provinces and central levels have been adjusted accordingly in the new system, which has been changed since 1991. *Chart 3* shows the educational organization in Lao PDR. The MOE has endeavoured to operate the restructured decentralization system effectively, but certain difficulties still exist. It takes time for the various officials and administrators to understand and accept their new roles and responsibilities. This is an ongoing process and various decrees, regulations, administrative documents, seminars and workshops have greatly helped to effect this transition. *Charts 1, 4A and 4B* show the organizational structure and financial organization of the MOE in Lao PDR.

Structure of educational administration

The structure of educational administration includes the Ministry of Education (MOE) at the central level, and local education services: Provincial Education Services (PEs) and District Education Bureaux

(DEBs). The local services are vertically linked to the MOE, but are under provincial and district administration committees, whose chiefs are appointed by, and report to, the Council of Ministers. Authority over schools and school personnel differs according to the type and level of education. In general, DEBs are responsible for pre-primary, primary and non-formal education; PESs for secondary and vocational education. The MOE has authority over the National University, technical-higher technical education and teacher-training education. A number of post-secondary educational institutions are under the authority of other ministries, such as communication, transport, construction, health, and culture.

The central administration

The position, roles and functions of the Ministry of Education (MOE), as the government central-management organization, with also a secretariat role and function for the Party Central Committee (PCC), include government in educational matters on planning and determining policy, as well as supervising, leading, implementing and controlling educational tasks (Decree No. 61/PM, 10 April, 1993). The MOE (see *Table a*) is one of the several ministries involved in education activities. According to the Decree, the MOE is responsible for national education system planning, recommending education policy, and supervising education throughout the country. Specifically, the responsibilities of the MOE and its affiliated organization include: curriculum development, textbook writing and publication, teacher education, higher education, education finance (including development of the national education budget), and overall personnel management in the system. Control by the MOE may also be implemented through national examinations and school-level supervision. However, examinations in Grade 1 through 4 are set by the District Education Bureau (DEB) and by teachers. Examinations in lower and upper schools are established by the provincial PES and

central MOE. Supervision and inspection are provided by MOE offices at provincial and district level. Decree No. 61/PM awards the MOE the authority for establishing or abolishing grass-roots educational organizations, defining the organization and role of the PES and DEB, appointing and discharging education officers at all levels, and issuing as necessary various educational decisions, rules, orders, regulations and notices. In practice, the MOE does not have the level of control in provinces and districts as indicated in the Decree. The Governors at those levels have maintained power over some activities. Moreover, actions and requests from the PES to the MOE require approval of the Governor's office.

The local administration

The Provincial Education Service (PES) and District Education Bureau (DEB) have largely operational responsibility for implementing primary and secondary education. In some cases, responsibilities may be shared, such as school-building initiatives, and vocational and technical education. With guidelines from SPC and its provincial service, the PES participates in national annual planning. Although an arm of the MOE, the PES reports to the Governor, or Mayor in the case of a municipality. The Governor, technically equivalent to a Minister in rank, has considerable power in establishing intersectional priorities and appointments of PES personnel. Moreover, provincial governors have discretionary funds that may be allocated to education. The DEB is the lowest branch of the national educational administration. The DEB assists schools and communities in their planning of primary and pre-primary education and prepares a district plan for each academic year and each school term. Much of the mechanism for planning is centrally designed and much of the interaction between central and local units is for the purpose of more efficiently implementing this design. There is local participation of varying levels of effectiveness in the planning process.

In order to raise the effectiveness of planning and reporting, the SPC has prepared new guidelines for provincial authorities and, subsequently, will do the same for the district. At a minimum, the efforts of the SPC are expected to improve the efficiency of intra-agency reporting. They may, however, have little direct impact on school management.

Table a. Distribution of responsibilities across the education system

Education authority	Primary responsibilities
Ministry of Education (MOE)	- policy development - teacher training - curriculum development - - textbook provision - development of secondary examination (Grade 11)
Provincial Education Service (PES)	- teacher assignment - allocation of secondary-teacher salaries - development of secondary-school inspection
District Education Bureau (DEB)	- reparation of transition examinations (Grade 6-10) - development of primary-school inspection - Pre-school and primary-school management
Community	- primary-school maintenance - subsidization of teachers - special contribution as requested - promoting of literacy

Government policy towards financial autonomy of education

According to the Government Decree to establish the National University of Lao, a majority of higher-level administrative and academic decision-making functions will remain within the jurisdiction of the MOE. However, a gradual, step-by-step delegation of a number of these decision-making functions from the MOE to the University Council needs to occur within a reasonable time-frame after

the issuance of the Decree. The MOE will transfer selected academic and administrative functions to the Council, still maintaining its supervisory and co-ordinating roles over the NUOL in three important areas: (i) policy and planning, including the approval of new policies, new faculties and new academic programmes; (ii) institutional accreditation; and (iii) budgetary recommendations. The delegation of these decision-making functions, and their related authority and responsibility transferred to the Council, needs to progress in an orderly manner but should be undertaken. The new financial system should be developed within the year after the appointment of the Council, to allow the NUOL to manage its own revenue under the supervision of the Council. Furthermore, revenue generated from the NUOL's instructional and non-instructional activities, including domestic and foreign-based donations, would be retained by the NUOL and allocated within the university structure according to the regulations of the Council (the appointment of the Council and the Rector will still remain within the authority of the Prime Minister, with the recommendation of the Minister of Education).

Introducing cost recovery for higher education, the MOE and NUOL have to develop a scheme to recover a greater share of the costs from those who can afford to pay. In reforming the quota system of admissions, the MOE and NUOL will develop measures to allocate the reduced number of scholarships to those who are in need. The MOE and NUOL will consider introducing a student loan scheme to help students pay tuition fees. The government will implement an action plan to:

- introduce the minimum tuition fee of 50,000 kips per year from 1996 for all students (impossible);
- gradually introduce various user charges such as library and laboratory fees, to introduce a system to recover 50 per cent of

operations and maintenance costs from tuition and fee income by the year 2001; and

- achieve 100 per cent cost recovery from individuals, such as for board and lodging.

Structure of the budget of the Ministry of Education

■ The budgetary nomenclature of the MOE

The budgetary nomenclature of Lao PDR (see *Appendix 2*) comprises two sub-nomenclatures, as incoming nomenclature and expense nomenclature, and eight chapters. However, the MOE is involved in only four chapters, as follows:

- Chapter 1: Salaries and indemnities;
- Chapter 2: Recurrent non-salaries;
- Chapter 4: Subsidy;
- Chapter 6: Investment.

Within each chapter, there are many titles and subtitles that must be taken into account when preparing the budgetary plan and the expense budget, according to budgetary nomenclature regulation. The transfer of funds between chapters, titles and subtitles by quarter and semester, is authorized by the Minister of the MOE, and frequent expenditure by the Director of the Department of Finance. The Director of the Department of Finance usually sub-warrants the funds to educational institutions and Provincial Education Services, who, in turn, release the funds to District Education Bureaux before they are utilized at school level. The money may be released through bank transfers or cheques from the Treasury, Ministry of Finance. The money released to educational institutions and provinces usually covers the four main items or four following chapters:

- Payments for salaries and indemnities of teachers, non-teaching staff and contracts (Chapter 1, Title 41, 42, 44, 45 and 46);

- Recurrent non-salaried expenses (Chapter 2, Title 14,17, 21,22,23, 24, 25, 26 and 28);
- Subsidy (Chapter 4, Title 51, 52, 53);
- Investment (Chapter 6, Title 3, 12, 13 and 14).

■ The weakness of the budgetary nomenclature

Up to now, the budgetary nomenclature has been used in the same form for educational administration and institutions at all levels (from pre-school to university and from DEB to MOE). However, this nomenclature does not permit to identify and analyze each proposed educational budget as well as the approved and implemented budget.

■ Recommendation

To facilitate budgetary preparation, allocation, implementation, evaluation and analysis, each educational institution as well as each administration at all levels, are recommended to innovate and update this budgetary nomenclature into a specific and simple budgetary nomenclature for each education level: pre-school, primary school, secondary school, TVET, TTCs, university and such administrative levels as the DEB, PES and MOE.

■ The Latest budget proposal and approved budget of the MOE (see *Table b*)

Disparities in allocation of resources

Primary schools receive inadequate funds from government to support both teaching activities and everyday maintenance. Families and communities are the sources for helping the schools. There are wide disparities within provinces and between levels of education. A primary-school system relies on local support for all of its teaching supplies. The new investment will serve to develop goals and priorities for the forthcoming programmes.

About 50 per cent of university students, in 1996-97 for example, were receiving bursaries and the rest were not. The per-student costs, paid by government, were about 135,000 kips per student for non-quota students and 314,000 kips for quota students, as compared to 50,000 kips for upper secondary. Without bursaries, the cost per year for university students was a little more than 2.5 times the cost of secondary education. However, the bursaries for quota students cost more than the education itself, which means that the government cost for a bursary student was more than twice the cost for a non-bursary university student and six times the cost for an upper-secondary student.

The following main measures are called for in financing an improved education system: (i) providing a higher level of teacher compensation and more funds to support day-to-day teaching activities; (ii) moving towards universal access to primary education; (iii) planning expansion of upper-secondary education, focusing on improvements of quality; (iv) making more efficient use of teachers; and (v) lowering costs and increasing efficiency, by reducing the number of repeaters and increasing the completion rate in each cycle of education. Following are statistical tables, indicating the education budget and expenditure for education sectors, in detail.

**Table b. Latest Proposal budget and approved budget for
MOE in Lao PDR (1999/2000)**

Chapter	Title	Subtitle	No of Account	Name	Submitted budget	Approved budget
1				Total	43 392,07	40 219,51
				Salaries and indemnities		
	41		641	<u>Base salary</u>		
		20	6412	Civil servant's base salary during work time		
		40	6414	Civil servant's base salary during training		
		1	64141	Civil servant's base salary during training inside the country		
		2	64142	Civil servant's base salary during training outside the country		
		50	6415	Supplementary hours		
	42		642	<u>Indemnities and bonus</u>		
		1	64221	Service indemnity		
		2	64222	Technical indemnity		
		30	6423	Special indemnity		
		1	64231	Indemnity for heavy/dangerous work		
		2	64232	Teaching indemnity		
		3	64233	Health care indemnity		
		4	64234	Special bonus		
		6	64236	Adjustment of the purchasing power	5 634,26	
	44		644	<u>Contracts</u>		
	45		645	<u>Lodging indemnity for Ministers and Vice-Ministers</u>		
		10	6451	Electricity and water		
		20	6452	Telephone		
		30	6454	Petrol		
	46		646	<u>Leave indemnity</u>		
		10	6461	Voluntary leave indemnity		
		20	6462	Retirement leave indemnity		
2				Recurrent non salaries expenses	2 270,47	2 039,98
	14		614	<u>Office requisites and petrol</u>		
		10	6141	Petrol		
		1	61411	Petrol, diesel fuel		
		2	61412	Motor oil		
		20	6142	Office requisites		
		1	61421	Equipment		
		2	61422	Printed paper		
		3	61423	Book and paper		
		30	6143	Uniform		
		40	6144	Other materials		
		1	61441	School equipment		

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Educational financing and budgeting in Lao PDR

Chapter	Title	Subtitle	No of Account	Name	Submitted budget	Approved budget
		2	61442	Medical equipment		
		3	61443	Medicines		
	17		617	<u>Electricity and water</u>		
		1	6171	Water		
		2	6172	Electricity		
	21		621	<u>Other services</u>		
		10	6211	Use of building		
		20	6212	Car storage		
		30	6213	Material storage		
	22		622	<u>Maintenance and repairs</u>		
		10	6221	Maintenance		
		1	62211	Maintenance of building		
		2	62212	Car maintenance		
		3	62213	Maintenance and repairs of machines/ material		
		50	6225	Small construction and repairs		
		1	62251	Small construction		
		2	62252	Installation of machines and material		
		3	622521	Building repairing		
		4	622522	Car repairs		
		5	622523	Machines and material repairs		
	23		623	<u>Insurance</u>		
	24		624	<u>Mail and telecommunication</u>		
		10	6241	Mail		
		20	6242	Telecommunication		
	25		625	<u>Transport</u>		
		10	6251	Transport material		
		50	6255	Travel		
		1	62551	Bus/air ticket		
		2	62552	Hotel and meal		
		3	62553	Visa/Taxi/Airport tax		
		4	62554	Cash money for the groups		
		5	62555	Individual money		
	26		626	<u>Seminar, conference, reception</u>		
		50	6265	Seminar		
		60	6266	Conference		
		70	6267	Reception		
		80	6268	National day		
	28		628	<u>Other charges</u>		
		10	6281	Research and analysis		
		20	6282	Information and statistics		
		30	6283	Other amortisation of material		

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Chapter	Title	Subtitle	No of Account	Name	Submitted budget	Approved budget
4				Subsidy		10 047,58
	51		651	<u>Technical and scientific subsidy</u>		
		2	6512	Education		
		1	65121	Reorganization and development of all sectors of education		
		2	65122	Development of school text book		
		3	65123	Non formal development for education		
		4	65124	Development of human resources		
	52		652	<u>Family allowance</u>	2 529,98	
		10	6521	Allowance for children		
		20	6522	Allowance for women		
		30	6523	Adjustment of the purchasing power	1 642,58	
		1	65231	Adjustment of the purchasing power for children		
		2	65232	Adjustment of the purchasing power for women		
	53		653	<u>Student grants</u>	7 115,80	
		10	6531	Boarding student		
		20	6532	Non boarding student		
		30	6533	Student grant during training		
		40	6534	Student transportation		
		1	65341	Travel		
		2	65342	Hotel and meals		
		50	6535	Grant for student coming from minorities		
		60	6536	Grant for the monk		
		70	6537	Adjustment of the purchasing power		
		80	6538	Grant for the teachers of non formal education		
6				Investment	13,12	
	3	2	2032	<u>Charges for the Project</u>		
		1	20321	Per diem		
		2	20322	Other administrative services		
	12		212	<u>Building</u>		
		1	2121	Purchase of building		
		2	2122	Construction of building		
		1	21221	New construction		
		2	21222	Repairs		
	13		213	<u>Purchase of machines and material</u>		223,94
		1	2131	Purchase of new things	952,51	
		2	2132	Repairs		
	14		214	<u>Purchase of cars</u>		
		1	2141	Purchase of new material		
		2	2142	Repairs		

Table A. Share of education budget in GDP and overall Government budget (1993-2000)

Descriptions	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Education Budget	24 363	49 019	46 559	64 353	72 140	101 558	102 629
Recurrent	15 449	26 220	27 745	35 505	40 220	53 855	15 390
Capital	8 914	22 799	18 814	28 848	31 920	47 703	87 239
Domestic	2 791	4 621	4 832	6 425	6 670	13 132	19 770
International	6 123	18 178	13 982	22 423	25 250	22 301	67 469
Gross Domestic Product	1 061 000	1 200 000	1 450 000	2 086 700	3 400 000	8 700 000	14 000 000
Government Budget	252 270	351 821	363 742	407 860	541 340	1 758 000	2 620 000
Recurrent	130 340	162 589	175 242	199 740	250 840	688 300	953 960
Capital	121 930	189 232	188 500	208 120	290 500	1 069 700	1 666 040
% Education in GDP							
Total Budget	2,30%	4,08%	3,21%	3,08%	2,12%	1,17%	0,73%
Domestic Budget	1,72%	2,57%	2,25%	2,01%	1,38%	0,77%	0,25%
Recurrent Budget	1,46%	2,19%	1,91%	1,70%	1,18%	0,62%	0,11%
% Education GV. Budget							
Total Budget	9,66%	13,93%	12,80%	15,78%	13,33%	5,78%	3,92%
Domestic Budget	11,85%	16,13%	15,83%	17,78%	16,03%	7,82%	1,61%
Recurrent Budget	7,31%	12,05%	9,98%	13,86%	10,99%	4,45%	5,50%

* Not adjustable to the inflation

** Only central level

Source: Ministry of Education

Note : For the year 1997-98, the data were not available for four provinces (Oudomxay, Houaphanh, Boko and the special province Saysomboune). For the year 1999-2000, concerning the recurrent budget, the data were not available for all provinces (18). The data available were only the central budget.

Table B. Budget expenditure for education sector (planned)

Descriptions	Year	93-94	94-95	95-96	96-97	97-98	98-99	99-00	Total
Grant Total		24 363	49 020	46 557	64 352	72 140	89 288	102 629	448 349
Total		8 914	22 799	18 813	28 848	31 920	35 433	87 239	233 966
Capital Expenditure		2 791	5 053	4 713	6 425	6 670	13 132	19 770	58 554
Internal Funds		6 123	17 746	14 100	22 423	25 250	22 301	67 469	175 412
External Funds		15 449	26 221	27 744	35 504	40 220	53 855	15 390	214 383
Total		12 527	21 996	22 807	29 250	27 909	34 667	6 791	155 948
Salary and allowance		798	1 116	1 236	1 482	2 040	4 470	1 944	13 086
Operational		669	700	780	662				2 811
Maintenance and Procurement									
Fellowships and subventions		1 455	2 409	2 921	4 110	10 271	14 718	6 655	42 539

* Not adjustable to inflation

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Table C. Distribution of Education budget (regional/central) by type of expenditures (1993-2000) (Million Kips)

	1993-94	1994-95	1995-96	1996-97	1997-98	98-99	99-2000
Central Budget	10 010	24 603	21 351	32 877	38 326	38 922	68 402
Investment	7 283	20 147	16 482	26 223	28 920	21 753	53 012
Recurrent	2 727	4 436	4 869	6 654	9 406	17 169	15 390
Salaries	1 007	1 762	1 671	2 856	3 662	6 079	6 791
Operational	326	417	490	678	1 157	1 729	1 944
Maintenance	420	437	605	336			
Fellowships and subventions	974	1 741	2 103	2 754	4 587	9 362	6 655
Regional Budget	14 353	24 416	25 208	31 476	33 814	61 150	34 227
Investment	1 631	2 633	2 332	2 625	3 000	7 295	34 227
Recurrent	12 722	21 764	22 875	28 851	30 814	53 855	
Salaries	11 520	20 234	21 136	26 394	24 247		
Operational	472	699	746	804	883		
Maintenance	249	163	175	296			
Fellowships and subventions	481	668	818	1 356	5 684		
Total	24 363	49 019	46 559	64 353	72 140	100 072	102 629
Investment	8 914	22 799	18 814	28 849	31 920	29 048	87 239
Recurrent	15 449	26 220	27 745	35 505	40 220	71 024	15 390
Salaries	12 527	21 996	22 807	29 250	27 909	6 079	6 791
Operation	798	1 116	1 236	1 482	2 040	1 729	1 944
Maintenance	669	299	780	662		0	0
Fellowships	1 455	2 409	2 921	4 110	10 271	9 362	6 655

Source: MOE

Note: For the year 1997-98, the family allowances and those for «cost of living» were incorporated under fellowships. The data above are given after reallocation of these items under «salaries». For the same year, the data were not available for four provinces (Oudomxay, Houaphanh, Boko and the special Saysomboune); the figures given for the provinces in 1997-98 use the data for 14 documented provinces as well as estimates for the 4 lacking provinces.

Table D. Government Investment Plan in 1999-2000 (According to the sector)

No Sector	Total			Central budget			Provincial budget					
	%	Total	Domestic	Foreign	%	Total	Domestic	Foreign	%	Total	Domestic	Foreign
Grant Total	100,00%	1 573,79	210,00	1 363,79	100,00%	1 090,35	71,03	1 019,32	100,00%	483,44	138,97	344,47
1 Agriculture and Forest	6,54%	102,98	26,71	76,27	3,98%	43,44	2,50	40,94	12,32%	59,54	24,21	35,33
2 Industry	3,80%	59,77	16,66	43,11	5,01%	54,61	11,50	43,11	1,07%	5,16	5,16	0,00
3 Communication	60,25%	948,16	60,90	887,26	73,44%	800,76	26,66	774,10	30,49%	147,40	34,24	113,16
4 Education	5,55%	87,27	19,80	67,47	4,86%	53,02	6,30	46,72	7,08%	34,25	13,50	20,75
5 Public Health	6,94%	109,25	13,20	96,05	0,48%	5,20	5,20	0,00	21,52%	104,05	8,00	96,05
6 Information and Culture	3,14%	49,42	10,41	39,01	4,02%	43,81	5,00	38,81	1,16%	5,61	5,41	0,20
7 Labour and Socialwelfare	3,95%	62,09	5,48	56,61	4,60%	50,11	3,22	46,89	2,48%	11,98	2,26	9,72
8 Other sector	7,05%	111,02	40,73	70,29	3,61%	39,40	10,65	28,75	14,81%	71,62	30,08	41,54
9 Country side Development	2,78%	43,83	16,11	27,72	0,00%	0,00	0,00	0,00	9,07%	43,83	16,11	27,72

Table E. Students, teachers, non-teaching staff and classes at the different levels of schooling (1993-1997)

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Preschool						
Students	29 703	31 677	35 039	35 623	38 434	36 947
Private	3 242	4 091	5 396	5 824	6 716	6 816
Classes	1 151	1 162	1 337	1 349	1 408	1 400
Teachers	1 833	1 962	2 005	1 929	2 169	2 168
Private	142	203	242	278	329	337
Non-Teacher staff	348	185	178	269	181	172
Student per Teacher	16,2	16,1	17,5	18,5	17,7	17,0
Student per Non-Teaching Staff	13,6	14,8	16,1	16,2	212,3	214,8
Student per Class	25,8	27,3	26,2	26,4	27,3	26,4
Primary Education						
Students	681 044	710 674	757 508	786 404	821 546	827 664
Private	14 409	13 968	16 725	15 702	17 316	16 022
Classes	24 039	23 759	26 156	24 708	26 459	26 450
Teachers	22 649	23 361	24 793	26 354	26 382	27 083
Private	480	490	618	575	618	580
Non-Teacher staff	2 871	1 401	1 522	1 271	1 338	1 154
Student per Teacher	30,1	30,4	30,6	29,8	31,1	30,6
Student per Personnel	26,7	28,7	28,8	28,4	614,0	717,2
Student per Class	28,3	29,9	29,0	31,8	31,0	31,3
Lower Secondary						
Students	105 497	111 381	119 771	138 361	150 195	169 692
Private	996	788	1 361	2 049	1 698	1 668
Classes	3 084	3 277	3 596	3 816	4 281	4 130
Teachers	8 235	7 319	7 315	7 840	7 889	8 262
Private	68	48	70	193	106	135
Non-Teacher staff	1 336	203	200	294	275	347
Student per Teacher	12,8	15,2	16,4	17,6	19,0	20,5
Student per Non-Teaching Staff	11,0	14,8	15,9	17,0	546,2	489,0
Student per Class	34,2	34,0	33,3	36,3	35,1	41,1

(Table E. continued)

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Upper Secondary						
Students	38 176	42 352	42 163	47 755	57 303	67 198
Private	-	-	-	-	-	-
Classes	955	1 113	1 196	1 174	1 333	1 442
Teachers	2 831	2 747	2 715	2 968	3 151	2 924
Private	-	-	-	-	-	-
Non-Teacher staff	452	136	153	153	152	163
Student per Teacher	13,5	15,4	15,5	16,1	18,2	23,0
Student per Non-Teaching Staff	11,6	14,7	14,7	15,3	377,0	412,3
Student per Class	40,0	38,1	35,3	40,6	43,0	46,6
Technical Education						
Students	7 682	6 358	5 659	5 967	7 114	7 839
/Province	5 295	1 988	1 921	2 175	1 741	2 965
/Centre	2 387	4 370	3 738	3 792	5 373	4 874
Classes	271	303	246	237	256	260
/Province	172	124	108	114	79	98
/Centre	99	179	138	123	177	162
Teachers	1 048	932	808	841	744	774
/Province	661	355	372	398	366	379
/Centre	387	577	436	443	378	395
Non-Teaching staff	572	564	349	340	261	243
/Province	342	185	144	135	141	124
/Centre	230	379	205	205	120	119
Student per Teacher	7,3	6,8	7,0	7,1	9,6	10,1
Student per Non-Teaching Staff	13,4	11,3	16,2	17,6	27,3	32,3
Student per Class	28,3	21,0	23,0	25,2	27,8	30,2
Teacher Training						
Students	4 963	4 065	2 868	2 494	3 251	4 871
Teachers	833	707	571	425	405	498
Non-Teaching staff	421	322	285	198	189	155
Student per Teacher	6,0	5,7	5,0	5,9	8,0	9,8
Student per non teaching staff	11,8	12,6	10,1	12,6	17,2	31,4

(Table E. continued)

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Higher Education						
Students	5 281	6 936	7 273	8 005	9 336	13 520
Other Ministries	2 615	3 193	1 906	-	-	2 810
Ministry of Education	2 666	3 743	5 367	8 005	9 336	10 710
Teachers	776	1 066	800	611	731	633
Other Ministries	360	537	99	-	-	135
Ministry of Education	416	529	701	611	731	498
Non-Teaching staff	387	419	377	436	276	298
Other Ministries	177	202	36	-	-	-
Ministry of Education	210	217	341	436	276	298
Student per Teacher	6,8	6,5	9,1	13,1	12,8	21,4
Student per non teaching staff	13,6	16,6	19,3	18,4	33,8	45,4
Administration						
Centre	2 858	2 943	3 006	3 397		
Provinces	473	498	486	527		
Districts	450	460	540	558		
	1 935	1 935	1 980	2 312		
Total	47 500	45 102	45 598	47 978		
Teachers	38 255	38 714	39 361	41 078		
Private	690	741	930	1 046		
Non-Teaching staff	9 245	6 388	6 237	6 900		

Table F. Distribution of the unit cost by type of expenditure at the different levels of schooling
(1994-95)

Description	Preschool	Primary	Lower Secondary	Upper Secondary	Tech/ Vocal	Teacher Training	Higher Education
General Administration	2 726 (8.0%)	1 699 (8.7%)	3 629 (8.4%)	4 058 (8.6%)	7 618 (2.6%)	5 486 (1.7%)	5 495 (1.6%)
Operation/maintenance	2 071 (6.1%)	1 275 (6.3%)	2 719 (6.3%)	3 094 (6.5%)	22 366 (7.6%)	40 076 (12.6%)	21 544 (6.4%)
Scholarships					142 463 (48.4%)	114 265 (36.0%)	165 558 (49.0%)
Non teaching staff	5 142 (15.1%)	1 610 (8.2%)	4 967 (11.5%)	4 103 (8.7%)	39 708 (13.5%)	46 517 (1.7%)	31 810 (9.4%)
Pupil/non teacher ratio	82.8	261.5	89.7	103.6	12.9	11.6	17.1
Non-teacher aver salary	425 700	421 000	445 400	425 600	512 500	540 200	544 500
Teachers	24 122 (70.8%)	14 955 (76.5%)	31 938 (73.8%)	36 122 (76.2%)	82 334 (28.0%)	110 687 (34.9%)	113 360 (33.6%)
Pupil-teacher ratio	17.6	29.5	15.3	16.0	6.5	5.9	6.4
Average teacher salary	424 400	440 600	488 500	576 600	538 100	651 600	719 900
Average class-size	28.1	27.5	35.3	39.7	21.7		
Student hours per week			30	30			
Teacher hours per week			20	18			
% Utilization of teachers	0.62	1.07	0.65	0.67			
Total	34 061 (100%)	19 540 (100%)	43 250 (100%)	47 377 (100%)	294 490 (100%)	317 032 (100%)	337 768 (100%)

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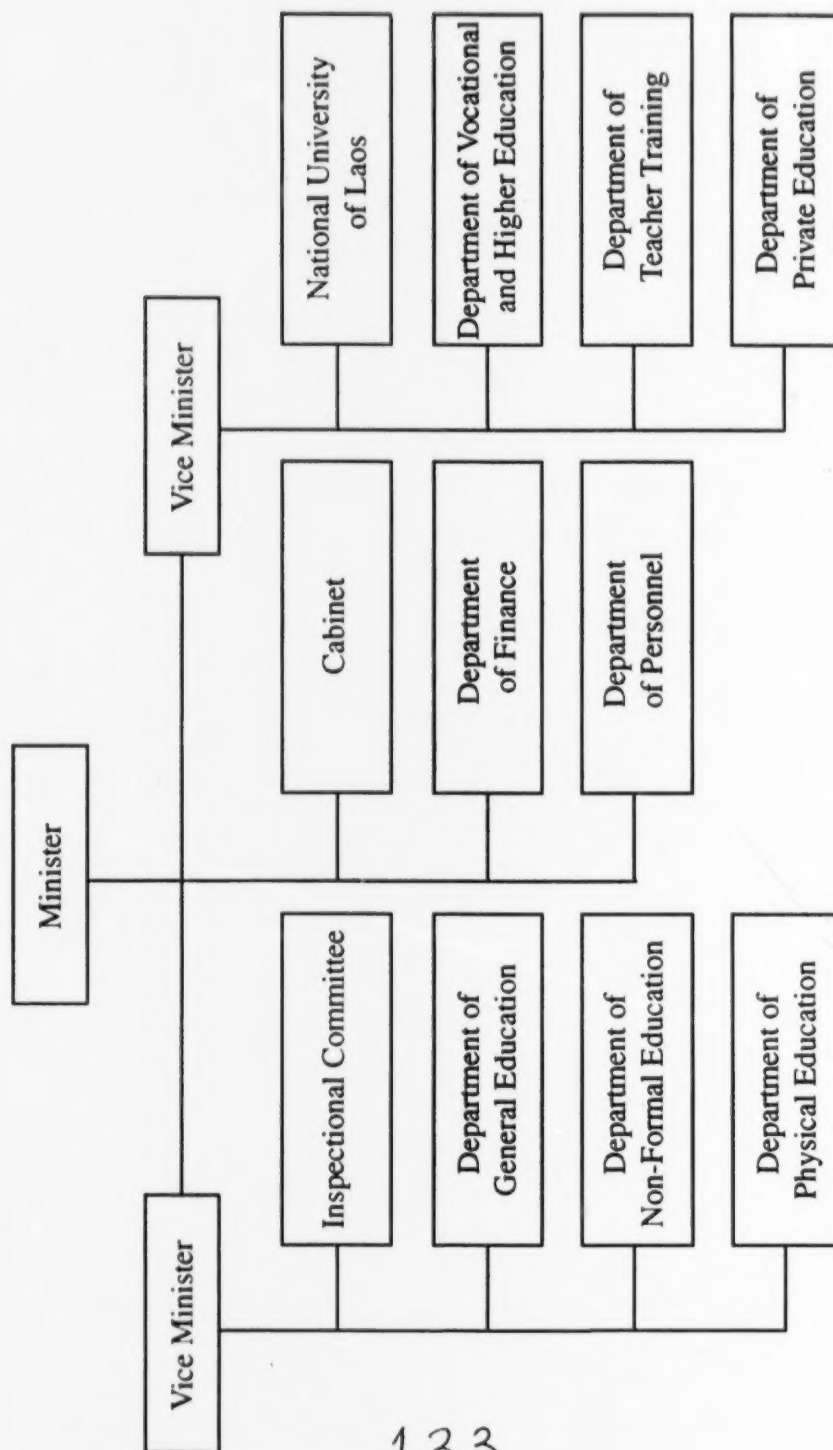
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Table G. Breakdown of unit cost by level of Education (1996-97)
(Kips and % in parenthesis)

	Teacher Salaries	Non-Teacher Salaries	Operation & Pedagogical	Student Welfare	Administration	Total
Preschool	32 752 (73,1)	7 967 (11,1)	2 785 (6,2)	0	4 295 (9,6)	44 800
Primary Schooling	19 725 (80,4)	916 (3,7)	1 532 (4,7)	0	1 351 (9,6)	24 524
Lower Secondary	37 627 (81,6)	1 196 (2,6)	2 883 (6,2)	0	4 424 (9,6)	46 129
Upper Secondary	44 728 (80,9)	1 801 (3,3)	3 455 (6,2)	0	5 298 (9,6)	55 282
Technical/Vocational	93 552 (37,0)	33 818 (13,4)	35 398 (14,0)	81 542 (32,3)	8 217 (3,3)	252 528
Teacher Training	97 804 (41,2)	38 922 (16,4)	30 273 (12,8)	62 541 (26,4)	7 651 (3,2)	237 192
Higher Education	70 379 (38,6)	40 908 (22,4)	23 042 (12,6)	41 994 (23,0)	5 928 (3,2)	182 508

Chart 1. Organizational Structure of the Ministry of Education



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Chart 2. Structure of the Education System

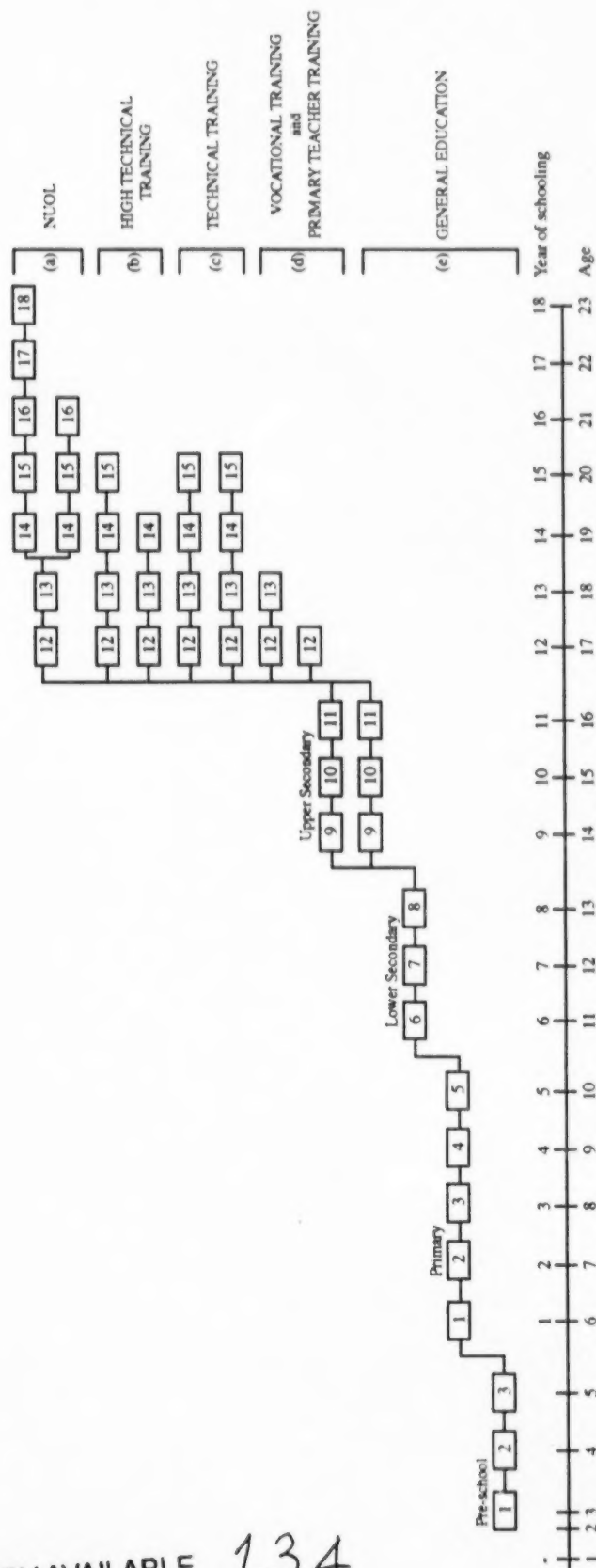
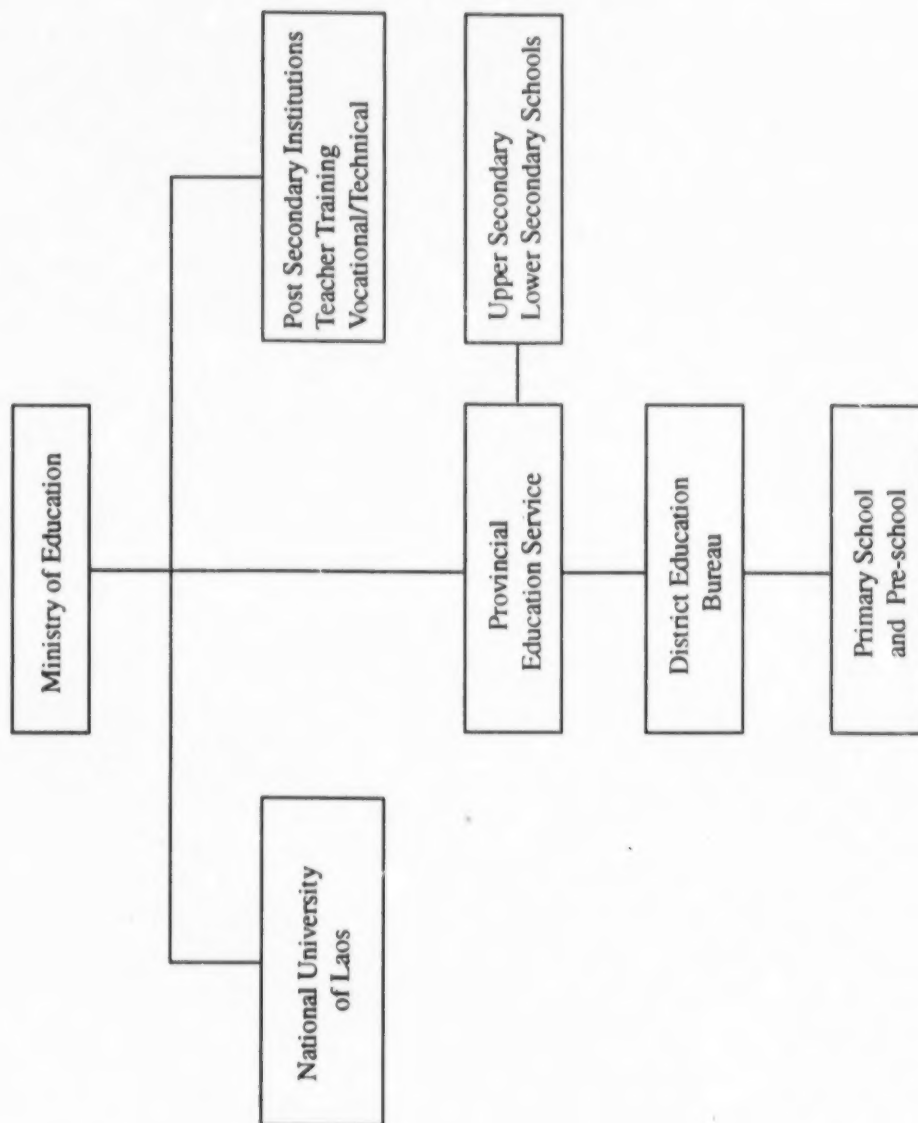


Chart 3. Educational Organization in Lao PDR



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Chart 4A. Financial Organization in MOE, Lao PDR

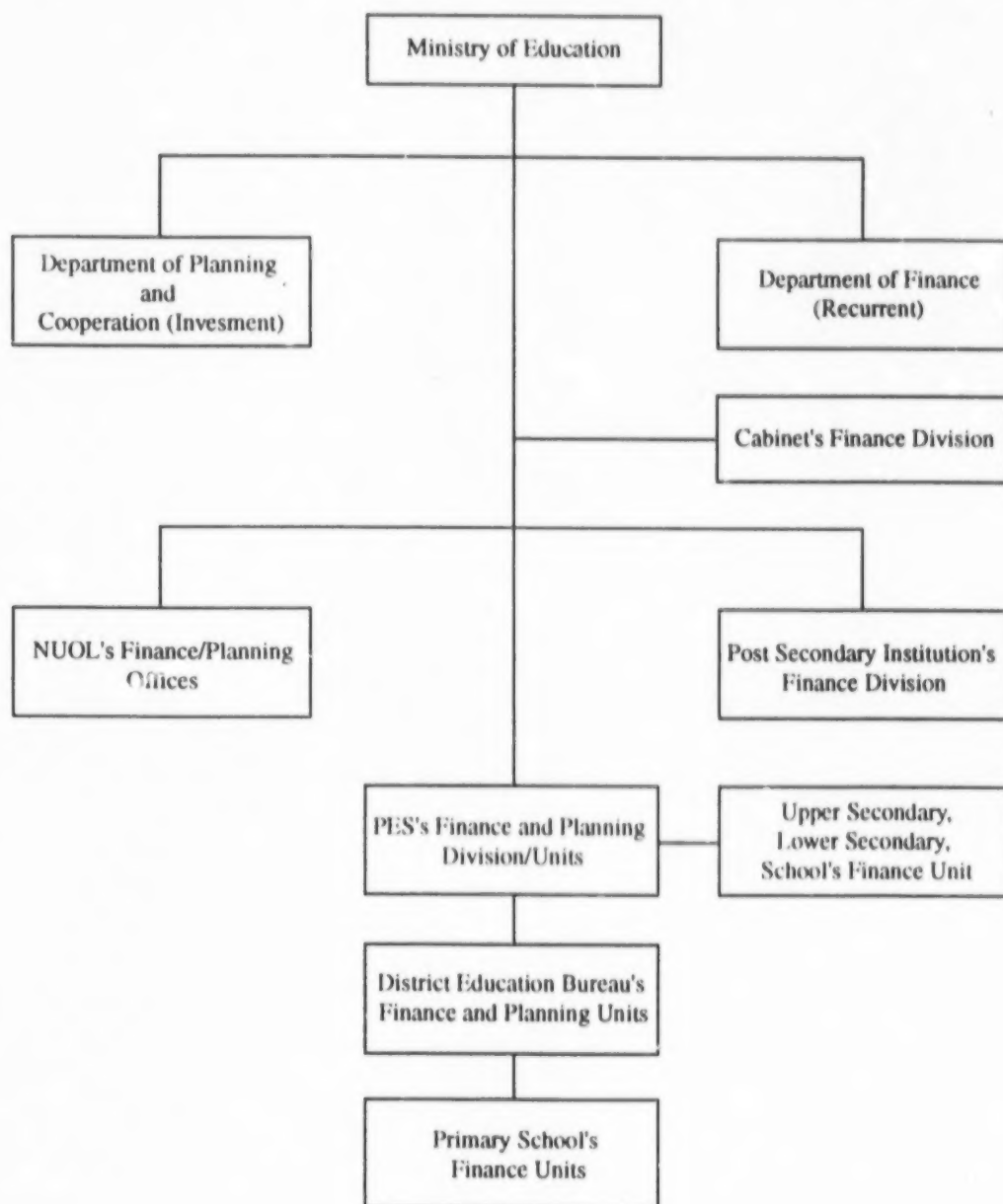
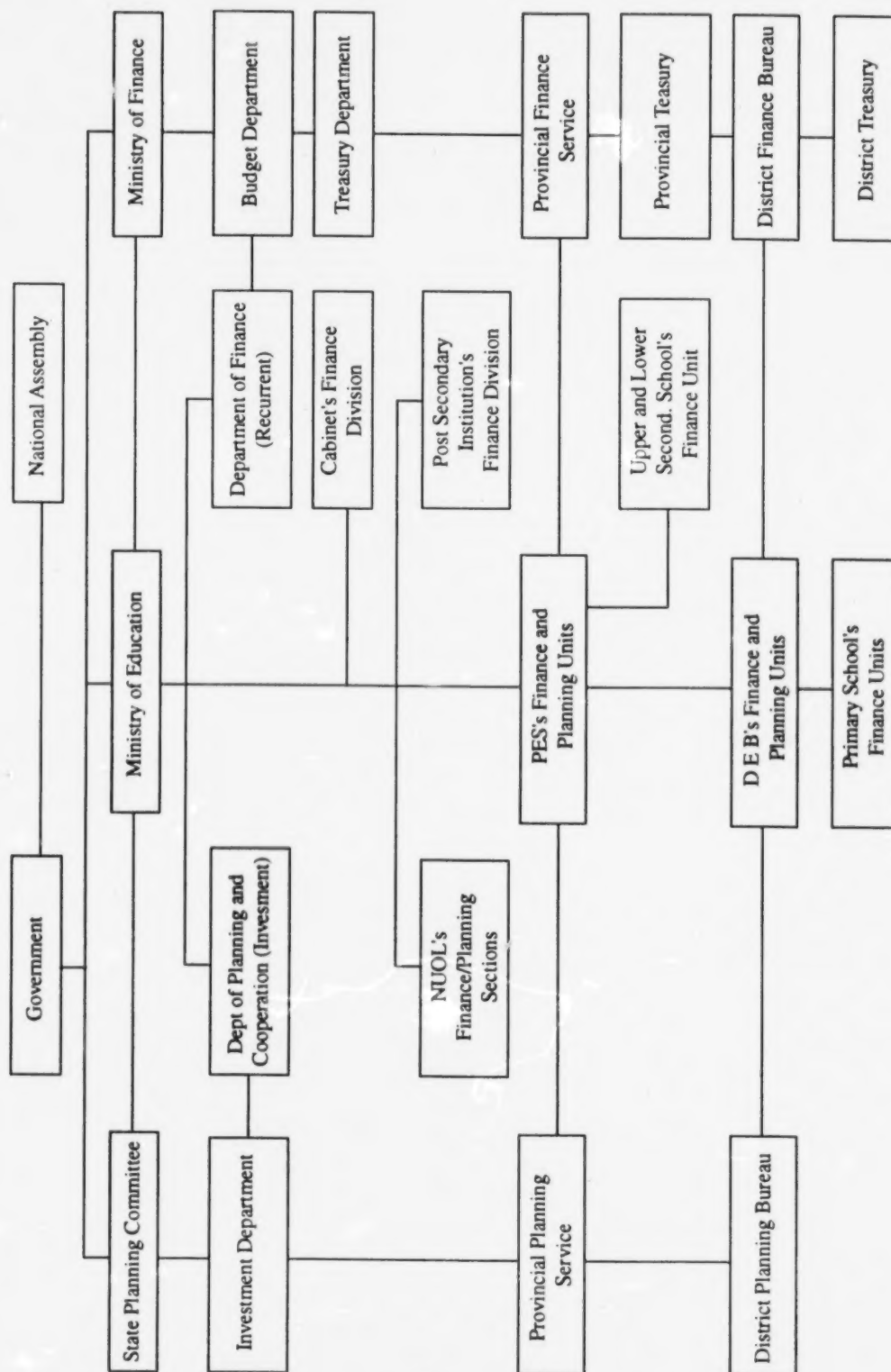


Chart 4B. Financial Organization in Lao PDR



Schedule of Cycle on Educational Planning and Budgeting preparation and adoption

Key Actors / Actions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Remarks
A- FIRST TOP DOWN													
1- MoE providing the Guidelines for the PES and Institutions on:													
• Planning & Budgeting midterm reviewing													
• Planning & Budgeting preparation for next year													
2- Second Session of National Assembly (Midterm Review of Planning Budgeting)													
3- SPC + MoF providing the Directives for the Next Fiscal Year Planning & Budgeting preparation													
4- Provincial Governor organises the meeting discussion with the District Administrators and provincial service Directors													
5- District Administrator and DEB prepare the Report of current year and the Planning & Budgeting for the next year													
B- BOTTOM UP													
6- District Administrator submit the Report of the current year and the Draft of Planning & Budgeting for next year to Provincial Administration													
7- Provincial Governor (and PES) summerizes and consolidates the Planning and Budgeting of the Districts													
8- Regional Conferences prepare the drafts of the Planning and Budgeting chaired by (SPC+MoF)													

(continued)

Key Actors/Actions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Remarks
9- MoE (DPC+DoF) reviews and consolidates the Educational Planning and Budgeting and submits the final draft to SPS and MoF													
10- SPC + MoF prepare the final draft of the National Planning and Budgeting and submit to the Government													
11- First Annual Session of National Assembly reviews and adopts: • the Annual Planning • the Fiscal Year Budget													
C- SECOND TOP DOWN													
12- SPC + MoF distributes the approved Planning and Budgeting for implementation to the lines Ministries and Provincial Administrations													
13- MoE distributes the approved Planning and Budgeting of Education Sector for implementation													
14- Provincial Governor organises the information meeting for the approved Planning & Budgeting and prepare for implementation													
D- FISCAL YEAR									End	↑			
E- SCHOOL YEAR						End			↑				

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The book

This study was prepared within the IIEP research project on capacity building in financial management and budgetary procedures for education in three developing South-East Asian countries (Cambodia, Laos and Vietnam). It provides an in-depth description of financial management and budgetary procedures for education as well as a detailed analysis of major problems, recent developments and new issues in this area.

Laos, formerly one of the centrally planned economies, was previously considered 'dormant' because of its limited interaction with the outside world. The chronic underfunding of the Lao education system has been responsible for high drop-out and repetition rates, and low enrolments at post-primary levels. The large disparities in the allocation of resources between provinces, and between different levels of education in terms of unit costs remain a serious problem.

The recent transition to a market economy and, since 1997, the devastating impact of the Asian financial crisis have encouraged the Lao government to practise budget cuts, to improve financial discipline and transparency, and to review its policies and practices in educational finance and budgeting. The increasing role of foreign donors, more rational budgetary procedures within a medium-term perspective and mechanisms of cost-sharing and financial diversification are some of the major challenges addressed in this book.

The authors

*This study on educational finance and budgeting in Laos was prepared by a research team headed by **Mr Lytoun Bouapao**, Director, Department of Finance, Ministry of Education. Other members of the team were **Mr Ouam Sengchaddavong**, Deputy Director, Department of Planning and Cooperation, Ministry of Education, and **Mr Siphandone Sihavong**, Deputy Director, Foreign Currency Affairs Department, Ministry of Finance.*

**Educational financing and
budgeting in Lao PDR**

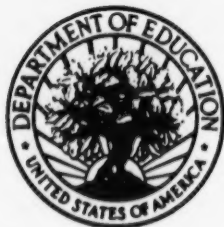


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